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**FRANKLIN PARISH SCHOOL BOARD**

**WINNSBORO, LOUISIANA**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2005**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5-3-06



**FRANKLIN PARISH SCHOOL BOARD**

**WINNSBORO, LOUISIANA**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2005**

**FRANKLIN PARISH SCHOOL BOARD**

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## Postlethwaite & Netterville

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### INDEPENDENT AUDITORS' REPORT

The Members of the  
Franklin Parish School Board  
Winnsboro, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin Parish School System (School System) as of and for the year ended June 30, 2005, which collectively comprise the School System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School System's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin Parish School System as of June 30, 2005 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the budgetary comparison information on pages 3 through 9 and pages 32 through 37, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin Parish School System's basic financial statements. The accompanying supplementary information consisting of the combining non-major fund financial statements, and the schedule of compensation paid board members are presented for purposes of additional analysis and are not a required part of the basic financial statements. We did not audit the information and we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2005 on our consideration of the Franklin Parish School System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Postlithwaite & Nettewille

Baton Rouge, Louisiana

October 28, 2005 except for footnotes 15 and 16,  
as to which the date is April 26, 2006.

Franklin Parish School Board

Winnsboro, Louisiana

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION  
AND ANALYSIS (MD&A)

**FRANKLIN PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2005**

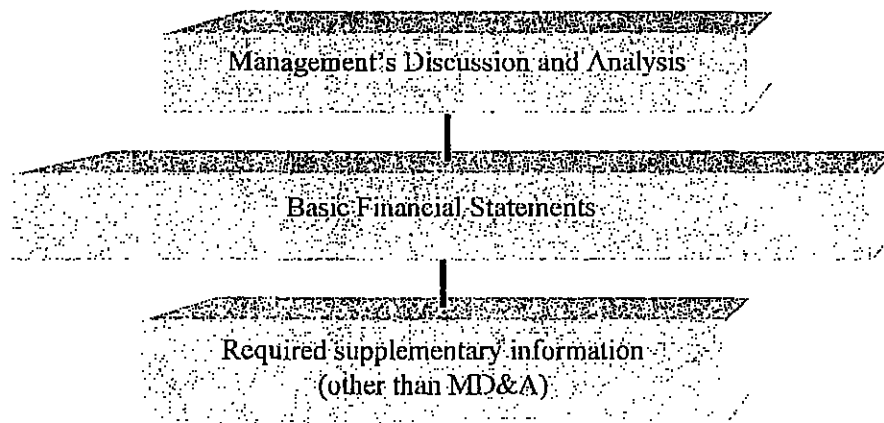
The Management's Discussion and Analysis of the Franklin Parish School Board's financial performance presents a narrative overview and analysis of Franklin Parish School Board's financial activities for the year ended June 30, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information (where available).

**FINANCIAL HIGHLIGHTS**

- ★ The Franklin Parish School Board's assets exceeded its liabilities at the close of fiscal year 2005 by \$4,064,268.
- ★ Revenues exceeded expenses by \$2,712,957 for the 2005 fiscal year.
- ★ State Minimum Foundation Program funding increased by \$381,053.
- ★ The General Fund operated at a surplus of \$2,372,768 which eliminated the accumulated deficit from the prior year and allowed the system to end the fiscal year with a fund balance of \$1,027,860. The surplus can be attributed primarily to the reduction in-force and the consolidation of schools.
- ★ The School Lunch Fund operated at a surplus of \$19,153 and ended the fiscal year with a fund balance of \$400,026.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.





**FRANKLIN PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2005**

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the School Board's finances, in a manner similar to private sector business.

The *statement of net assets* presents information on all of the School Board's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School Board is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. (e.g., uncollected taxes and earned by unused sick leave).

Both of the government-wide financial statements present functions of the School Board that are principally supported by taxes and intergovernmental revenues (governmental activities). The School Board has no functions or activities which are business-like in nature, meaning that they are primarily supported by user fees and charges for services, such as a municipally owned utility system. The governmental activities of the School Board include regular and special education programs, support services, administration, maintenance, student transportation, and school food services. The School Board contains no other units of government (component units) nor is it contained as a component unit of any other level of local or state government.

**Fund financial statements.** A *fund* is grouping of related accounts that are used to maintain control over the resources that have been segregated for specific activities or objectives. The School Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School Board can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near term inflows and outflows of spendable resources*, as well as on *balances of spendable resources available at the end of the fiscal year*. Such information may be useful in evaluating a government's near term financial requirements. Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long term impact of the School Board's near-term financing decisions. Both the governmental fund balance and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School Board maintains dozens of individual governmental funds. Information is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Title I, Headstart, and School Lunch all of which are considered major funds. The remaining funds are combined into a single, aggregated presentation under the label of other governmental funds, which contains all non-major funds. Individual fund data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

**FRANKLIN PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2005**

The School Board prepares annual budgets for the General Fund and Special Revenue Funds. Budgets were not prepared for Capital Projects Funds and Debt Service Funds. As such, a budget to actual was not prepared for those funds.

**Fiduciary funds.** Fiduciary Funds are used to account for resources held for the benefit of outside parties such as students. Fiduciary funds are not reflected in the government-wide financial statements because of the resources of those funds are not available to support the School Board's programs. The sole fiduciary fund of the School Board is the School Activity Fund, which contains monies belonging to the schools, their students, and clubs and other activities.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**FRANKLIN PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2005**

**FINANCIAL ANALYSIS OF THE ENTITY**

Statements of Net Assets  
as of June 30, 2005 and 2004

|   | <u>2005</u>         | <u>2004</u>         |
|---|---------------------|---------------------|
| <b>Assets</b>                           |                     |                     |
| Cash and cash equivalents               | \$ 1,750,651        | \$ 1,044,425        |
| Receivables                             | 1,668,843           | 1,251,472           |
| Investments                             | 100,000             | -                   |
| Inventory                               | 39,722              | 22,969              |
| Capital assets                          | 3,264,283           | 3,067,207           |
| Total assets                            | <u>\$ 6,823,499</u> | <u>\$ 5,386,073</u> |
| <b>Liabilities</b>                      |                     |                     |
| Accounts, salaries and other payables   | \$ 1,995,373        | \$ 3,168,169        |
| Deferred revenues                       | 102,362             | 86,336              |
| Long-term liabilities                   | 661,496             | 780,257             |
| Total liabilities                       | <u>\$ 2,759,231</u> | <u>\$ 4,034,762</u> |
| <b>Net Assets</b>                       |                     |                     |
| Invested in capital assets, net of debt | \$ 3,264,283        | \$ 3,067,207        |
| Restricted                              | 433,621             | 408,532             |
| Unrestricted                            | 366,364             | (2,124,428)         |
| Total net assets                        | <u>\$ 4,064,268</u> | <u>\$ 1,351,311</u> |

- Cash has increased approximately 68% from prior year. Cash accounts for 26% of the total assets of the School Board. The increase can be attributed to the operating surpluses of the general and school lunch funds.
- Capital assets, which are reported net of accumulated depreciation, account for 48% of the total assets of the School Board. These assets increased by \$197,076 from the prior year in which they comprised 57% of total assets. The increase from prior year is attributable to the continued renovations made to Winnsboro Elementary School which were funded from the School Renovation Grant received from the U. S. Department of Education, and various equipment purchases.
- Receivables increased by \$417,371 as a result of more efficient cash management of the federal grants, which resulted in increased amounts due from the State.
- Accounts, salaries and other payables decreased \$1,172,796 as a result of payment of previously delinquent benefits for health insurance and retirement.
- Unrestricted net assets increased by \$2,490,792 to a positive 366,364, indicating improvement of the School Board's ability to satisfy its liabilities over the long term. This is primarily a result of the operating surpluses generated in the General and School Lunch funds.
- Total net assets have increased by \$2,712,957 from prior year.

**FRANKLIN PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2005**

Statements of Revenues and Expenses  
for the years ended June 30, 2005 and June 30, 2004

|  | 2005                | 2004              |
|--|---------------------|-------------------|
| <b>Revenues</b>                                |                     |                   |
| Program revenues                               |                     |                   |
| Charges for services                           | \$ 269,341          | \$ 314,093        |
| Operating grants                               | 8,790,767           | 6,010,695         |
| Capital grants                                 | 174,730             | 1,561,897         |
| General revenues                               |                     |                   |
| Property taxes                                 | 677,676             | 717,592           |
| Sales taxes                                    | 2,822,291           | 2,803,729         |
| Earnings on Investments                        | 15,010              | 8,999             |
| Minimum Foundation Program                     | 15,699,226          | 15,318,173        |
| Other  | 703,274             | 421,569           |
|  | <u>29,152,315</u>   | <u>27,156,747</u> |
| <b>Expenses</b>                                |                     |                   |
| Regular education                              | 8,561,121           | 11,188,782        |
| Special and other education                    | 7,852,546           | 5,942,305         |
| Pupil support                                  | 651,977             | 570,460           |
| Instructional staff                            | 1,666,116           | 795,445           |
| General administrative                         | 624,804             | 838,642           |
| School administrative                          | 1,117,281           | 1,044,217         |
| Business and central services                  | 513,332             | 404,871           |
| Plant operation and maintenance                | 1,634,726           | 1,684,741         |
| Transportation                                 | 1,995,501           | 2,210,074         |
| Food service                                   | 1,664,918           | 2,064,767         |
| Central services                               | 11,174              | -                 |
| Community service programs                     | 5,035               | 31,298            |
| Depreciation                                   | 140,827             | 142,233           |
| Unidentified charges                           | -                   | -                 |
| Increase in compensated absences (unallocated) | -                   | -                 |
|  | <u>26,439,358</u>   | <u>26,917,835</u> |
| <b>Excess of revenues over expenses</b>        | <b>\$ 2,712,957</b> | <b>\$ 238,912</b> |

**Revenues**

- Minimum Foundation Program revenue, which accounts for 54% of total revenues, increased \$381,053 due to an increase in the per student allocation from the State of Louisiana.
- Local tax revenues consisting of sales and property taxes experienced a slight decrease and were approximately 12% of total revenue for the fiscal year.
- Operating grant revenues increased \$2,780,072 as a result of higher funding levels in Title One and Headstart, and the new Reading First grant. Capital grants and contributions decreased due to the reduced funding in the School Renovation Grant as the Winnsboro Elementary School renovations were completed.

**Expenses**

- Expenses decreased substantially due to a concerted effort to cut expenditures in the general fund through reductions in-force. The school system operated with three fewer facilities during this fiscal year compared to the prior year.

**FRANKLIN PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2005**

**FUND ANALYSIS**

- The General Fund operated at a surplus of \$2,372,768 which eliminated the accumulated deficit from the prior year and allowed the system to end the fiscal year with a fund balance of \$1,027,860. The surplus can be attributed primarily to the reduction in-force and the consolidation of schools, which resulted in significant expenditure reductions. Revenues experienced a slight increase due to the MFP increase.
- The School Lunch Fund operated at a surplus of \$19,153 and ended the fiscal year with a fund balance of \$400,026. This operating surplus represents a reversal from the prior year's operating deficit of \$357,812. This reversal was also a result of reduced expenditures brought about by the reduction in-force.
- Most other funds account for expenditure driven grants for which the school system receives reimbursements for allowable costs. Accordingly, these funds report little, if any, operating surplus or fund balance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2005, the Franklin Parish School Board had \$3,264,283 invested in a broad range of capital assets, including land, building, and equipment. (See Table below).

This amount represents a net increase (including additions and deductions) of \$197,076. This modest increase is a result of continued renovation of the Winnsboro Elementary School and various equipment purchases.

Capital Assets at Year-end  
(Net of Depreciation)

|                          | <u>2005</u>         | <u>2004</u>         |
|--------------------------|---------------------|---------------------|
| Land                     | \$ 54,850           | \$ 54,850           |
| Construction-in-progress | -                   | 1,561,897           |
| Buildings                | 2,882,370           | 1,243,478           |
| Machinery and equipment  | <u>327,063</u>      | <u>206,982</u>      |
| Totals                   | <u>\$ 3,264,283</u> | <u>\$ 3,067,207</u> |

**Long-term debt**

The School Board's long-term debt consists solely of the liability for compensated absences. As the workforce of the School Board decreased from fiscal 2004 to fiscal 2005, so did this liability.

**FRANKLIN PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2005**

**VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS**

Amendments were adopted during the year ended June 30, 2005 for the General, Title 1, Head Start and School Lunch funds. Title One's and Head Start's budgets were amended during the year to reflect an increased level of grant funding awarded from the State Department of Education, while the General and School Lunch fund's budgets were amended to more accurately reflect operations.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The School System operates in an environment of declining enrollment, a stagnate tax base and marginal support from its citizenry. This environment and other factors have contributed to the financial condition of the School System which, although improved, is still less than satisfactory. The General Fund has a less than adequate fund balance and the condition of school facilities is substandard. Although recent attempts to pass additional taxes have failed, management and the Board will continue efforts to obtain additional revenues and to operate within resources available.

The Franklin Parish School Board's elected and appointed officials considered the following factors and indicators when setting next year's budget. These factors and indicators include:

- Steady sales and property tax revenue.
- Slight increase in MFP.
- Expenditures will increase due to higher retirement and health insurance costs mandated by state-sponsored benefit plans.

The Franklin Parish School Board has adopted 2005-2006 General Fund budget that results in break-even operations for the year. However, if excess funds become available through more favorable operating results, then any such excess is expected to be accumulated in an effort to increase General Fund balance to an adequate level.

**CONTACTING THE FRANKLIN PARISH SCHOOL BOARD'S MANAGEMENT**

This financial report is designed to provide a general overview of the School Board's finances for those with an interest in the government's financial position and operations. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Lillian Whitten, Business Manager, Franklin Parish School Board, 7293 Prairie Road, Winnsboro, LA 71295, 318-435-9046.

**FRANKLIN PARISH SCHOOL BOARD**

**Winnsboro, Louisiana**

**STATEMENT OF NET ASSETS**

**June 30, 2005**

**ASSETS**

|  | <u>2005</u>      |
|--|------------------|
| Cash and cash equivalents                                | \$ 1,750,651     |
| Receivables  |                  |
| Accounts   | 3,460            |
| Sales and use taxes                                      | 336,133          |
| Ad valorem taxes   | 21,178           |
| Investments  | 100,000          |
| Due from governments                                     | 1,308,072        |
| Inventory  | 39,722           |
| Capital Assets   |                  |
| Land and construction in progress                        | 54,850           |
| Buildings and equipment, net of accumulated depreciation | <u>3,209,433</u> |
| TOTAL ASSETS   | <u>6,823,499</u> |

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

|                                       |                  |
|---------------------------------------|------------------|
| Accounts, salaries and other payables | 1,995,373        |
| Deferred revenues                     | 102,362          |
| Long-term liabilities                 |                  |
| Due within one year                   | 215,769          |
| Due in more than one year             | <u>445,727</u>   |
| TOTAL LIABILITIES                     | <u>2,759,231</u> |

**NET ASSETS**

|                                  |                     |
|----------------------------------|---------------------|
| Invested in capital assets       | 3,264,283           |
| Restricted for:                  |                     |
| Debt service                     | 14,622              |
| Federal and State Grant Programs | 400,026             |
| Maintenance                      | 18,973              |
| Unrestricted                     | <u>366,364</u>      |
| TOTAL NET ASSETS                 | <u>\$ 4,064,268</u> |

The accompanying notes are an integral part of this statement.

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

|   | Expenses     | Program Revenues |               |               | Net (Expense)  |
|---|--------------|------------------|---------------|---------------|----------------|
|   |              | Charges for      | Operating     | Capital       | Revenue and    |
|   |              | Services         | Grants and    | Grants and    | Changes in Net |
|   |              |                  | Contributions | Contributions | Assets         |
|   |              |                  |               |               | Governmental   |
|   |              |                  |               |               | Unit           |
| <b><u>Functions/Programs</u></b>                              |              |                  |               |               |                |
| Instruction:  |              |                  |               |               |                |
| Regular education programs                                    | \$ 8,561,121 | \$ -             | \$ 208,592    | \$ 174,730    | \$ (8,177,799) |
| Special education programs                                    | 2,497,581    | -                | 609,331       | -             | (1,888,250)    |
| Other education programs                                      | 5,354,965    | -                | 4,521,272     | -             | (833,693)      |
| Support Services:   |              |                  |               |               |                |
| Pupil support services  | 651,977      | 85,682           | 92,658        | -             | (473,637)      |
| Instructional staff services                                  | 1,666,116    | -                | 951,442       | -             | (714,674)      |
| General administration services                               | 624,804      | -                | 117,333       | -             | (507,471)      |
| School administration services                                | 1,117,281    | -                | 18,741        | -             | (1,098,540)    |
| Business and central services                                 | 513,332      | 50,706           | 151,985       | -             | (310,641)      |
| Plant operation and maintenance                               | 1,634,726    | -                | 554,829       | -             | (1,079,897)    |
| Transportation  | 1,995,501    | -                | 201,913       | -             | (1,793,588)    |
| Food service  | 1,664,918    | 132,953          | 1,359,676     | -             | (172,289)      |
| Central services  | 11,174       | -                | 185           | -             | (10,989)       |
| Community services  | 5,035        | -                | 2,810         | -             | (2,225)        |
| Depreciation  | 140,827      | -                | -             | -             | (140,827)      |
| Total Governmental Activities                                 | 26,439,358   | 269,341          | 8,790,767     | 174,730       | (17,204,520)   |
| General Revenues  |              |                  |               |               |                |
| Taxes:  |              |                  |               |               |                |
| Ad Valorem taxes  |              |                  |               |               | 677,676        |
| Sales and use taxes   |              |                  |               |               | 2,822,291      |
| Grants and contributions not restricted to specific purposes: |              |                  |               |               |                |
| Minimum Foundation Program                                    |              |                  |               |               | 15,699,226     |
| Interest and investment earnings                              |              |                  |               |               | 15,010         |
| Gain on disposition of capital assets                         |              |                  |               |               | 420,909        |
| Miscellaneous   |              |                  |               |               | 282,365        |
| Total general revenues  |              |                  |               |               | 19,917,477     |
| Change in Net Assets  |              |                  |               |               | 2,712,957      |
| Net Assets - July 1, 2004, restated                           |              |                  |               |               | 1,351,311      |
| Net Assets - June 30, 2005                                    |              |                  |               |               | \$ 4,064,268   |

The accompanying notes are an integral part of this statement.



**FRANKLIN PARISH SCHOOL BOARD**

**Winnsboro, Louisiana**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**JUNE 30, 2005**

|  | General             | Title I           | Headstart         | School<br>Lunch   | Other<br>Non-major<br>Governmental | Total               |
|--|---------------------|-------------------|-------------------|-------------------|------------------------------------|---------------------|
| <b><u>ASSETS</u></b>                           |                     |                   |                   |                   |                                    |                     |
| Cash and cash equivalents                      | \$ 1,269,025        | \$ -              | \$ 272            | \$ 447,759        | \$ 33,595                          | \$ 1,750,651        |
| Receivables:                                   |                     |                   |                   |                   |                                    |                     |
| Accounts                                       | 533                 | -                 | -                 | 2,927             | -                                  | 3,460               |
| Sales tax                                      | 336,133             | -                 | -                 | -                 | -                                  | 336,133             |
| Ad valorem tax                                 | 21,178              | -                 | -                 | -                 | -                                  | 21,178              |
| Investments                                    | 100,000             | -                 | -                 | -                 | -                                  | 100,000             |
| Due from other funds                           | 937,581             | -                 | -                 | 1,132             | -                                  | 938,713             |
| Due from other governments                     | 75,320              | 179,951           | 104,478           | 7,015             | 941,308                            | 1,308,072           |
| Inventory                                      | -                   | -                 | -                 | 39,722            | -                                  | 39,722              |
| <b>TOTAL ASSETS</b>                            | <b>\$ 2,739,770</b> | <b>\$ 179,951</b> | <b>\$ 104,750</b> | <b>\$ 498,555</b> | <b>\$ 974,903</b>                  | <b>\$ 4,497,929</b> |
| <b><u>LIABILITIES AND FUND BALANCES</u></b>    |                     |                   |                   |                   |                                    |                     |
| Liabilities:                                   |                     |                   |                   |                   |                                    |                     |
| Accounts payable                               | \$ 93,642           | \$ -              | \$ 32,768         | \$ -              | \$ 2,892                           | \$ 129,302          |
| Salaries and benefits payable                  | 1,541,816           | 90,658            | 58,487            | 71,567            | 103,543                            | 1,866,071           |
| Due to other funds                             | 1,132               | 89,293            | 13,495            | -                 | 834,793                            | 938,713             |
| Deferred revenues                              | 75,320              | -                 | -                 | 26,962            | 80                                 | 102,362             |
| <b>TOTAL LIABILITIES</b>                       | <b>1,711,910</b>    | <b>179,951</b>    | <b>104,750</b>    | <b>98,529</b>     | <b>941,308</b>                     | <b>3,036,448</b>    |
| Fund balances:                                 |                     |                   |                   |                   |                                    |                     |
| Reserved for inventory                         | -                   | -                 | -                 | 12,760            | -                                  | 12,760              |
| Reserved for debt service                      | -                   | -                 | -                 | -                 | 14,622                             | 14,622              |
| Unreserved, reported in:                       |                     |                   |                   |                   |                                    |                     |
| General Fund - Undesignated                    | 1,027,860           | -                 | -                 | -                 | -                                  | 1,027,860           |
| Special Revenue Fund                           | -                   | -                 | -                 | 387,266           | 18,973                             | 406,239             |
| <b>TOTAL FUND BALANCES</b>                     | <b>1,027,860</b>    | <b>-</b>          | <b>-</b>          | <b>400,026</b>    | <b>33,595</b>                      | <b>1,461,481</b>    |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 2,739,770</b> | <b>\$ 179,951</b> | <b>\$ 104,750</b> | <b>\$ 498,555</b> | <b>\$ 974,903</b>                  | <b>\$ 4,497,929</b> |

The accompanying notes are an integral part of this statement.

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2005**

|   |    |                  |                  |
|---|----|------------------|------------------|
| Total Fund Balances at June 30, 2005 - Governmental Funds   |    | \$               | 1,461,481        |
| Cost of capital assets at June 30, 2005                     | \$ | 10,292,964       |                  |
| Less: Accumulated Depreciation as of June 30, 2005:         |    |                  |                  |
| Buildings   |    | (6,339,830)      |                  |
| Movable property  |    | <u>(688,851)</u> | 3,264,283        |
| Long-term liabilities at June 30, 2005:                     |    |                  |                  |
| Compensated absences payable                                |    | <u>(661,496)</u> | <u>(661,496)</u> |
| Total net assets at June 30, 2005 - Governmental Activities |    | \$               | <u>4,064,268</u> |

The accompanying notes are an integral part of this statement.

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**FOR THE YEAR ENDED JUNE 30, 2005**

|   | General           | Title I          | Headstart        | School<br>Lunch  | Other<br>Non-major<br>Governmental | Total             |
|---|-------------------|------------------|------------------|------------------|------------------------------------|-------------------|
| <b>REVENUES</b>                                 |                   |                  |                  |                  |                                    |                   |
| Local sources:                                  |                   |                  |                  |                  |                                    |                   |
| Ad valorem taxes                                | \$ 619,443        | \$ -             | \$ -             | \$ -             | \$ 58,233                          | \$ 677,676        |
| Sales and use taxes                             | 2,822,291         | -                | -                | -                | -                                  | 2,822,291         |
| Earnings on investments                         | 13,226            | -                | -                | 1,784            | -                                  | 15,010            |
| Food Services                                   | -                 | -                | -                | 133,992          | -                                  | 133,992           |
| Other   | 412,693           | -                | 6,060            | (1,039)          | -                                  | 417,714           |
| In-Kind Revenue                                 | -                 | -                | 279,104          | -                | -                                  | 279,104           |
| State sources:                                  |                   |                  |                  |                  |                                    |                   |
| Minimum Foundation Program                      | 15,649,126        | -                | -                | 50,100           | -                                  | 15,699,226        |
| Restricted grants-in-aid                        | 309,853           | -                | -                | -                | 291,455                            | 601,308           |
| Federal grants                                  | 53,928            | 2,310,578        | 993,747          | 1,344,457        | 3,382,375                          | 8,085,085         |
| <b>TOTAL REVENUES</b>                           | <b>19,880,560</b> | <b>2,310,578</b> | <b>1,278,911</b> | <b>1,529,294</b> | <b>3,732,063</b>                   | <b>28,731,406</b> |
| <b>EXPENDITURES</b>                             |                   |                  |                  |                  |                                    |                   |
| Current:  |                   |                  |                  |                  |                                    |                   |
| Instruction:                                    |                   |                  |                  |                  |                                    |                   |
| Regular education programs                      | 8,561,985         | 6,975            | -                | -                | 50,442                             | 8,619,402         |
| Special education programs                      | 1,948,080         | -                | 21,440           | -                | 542,355                            | 2,511,875         |
| Other education programs                        | 1,166,596         | 1,562,139        | 579,153          | -                | 2,218,799                          | 5,526,687         |
| Support:  |                   |                  |                  |                  |                                    |                   |
| Pupil support services                          | 579,161           | 56,282           | -                | -                | 20,872                             | 656,315           |
| Instructional staff services                    | 765,027           | 383,473          | 82,700           | -                | 441,137                            | 1,672,337         |
| General administration services                 | 560,052           | -                | 65,177           | -                | 1,500                              | 626,729           |
| School administration services                  | 1,126,356         | -                | -                | -                | -                                  | 1,126,356         |
| Business and central services                   | 406,639           | 9,880            | 94,373           | -                | 5,110                              | 516,002           |
| Plant operation and maintenance                 | 1,237,349         | 90,728           | 208,515          | -                | 102,304                            | 1,638,896         |
| Transportation                                  | 1,786,482         | 6,298            | 206,414          | -                | 4,766                              | 2,003,960         |
| Food services                                   | 103,601           | 118              | 17,554           | 1,544,424        | -                                  | 1,665,697         |
| Central services                                | 11,174            | -                | -                | -                | -                                  | 11,174            |
| Community services                              | 1,450             | -                | 3,585            | -                | -                                  | 5,035             |
| Facility acquisition and construction           | -                 | -                | -                | -                | 174,730                            | 174,730           |
| <b>TOTAL EXPENDITURES</b>                       | <b>18,253,952</b> | <b>2,115,893</b> | <b>1,278,911</b> | <b>1,544,424</b> | <b>3,562,015</b>                   | <b>26,755,195</b> |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | 1,626,608         | 194,685          | -                | (15,130)         | 170,048                            | 1,976,211         |

(continued)

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**FOR THE YEAR ENDED JUNE 30, 2005**

|   | <u>General</u>             | <u>Title I</u>     | <u>Headstart</u>   | <u>School<br/>Lunch</u>  | <u>Other<br/>Governmental</u> | <u>Total</u>                              |
|---|----------------------------|--------------------|--------------------|--------------------------|-------------------------------|---|
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>  |                            |                    |                    |                          |                               |   |
| Transfers in  | 359,534                    | -                  | -                  | -                        | -                             | 359,534                                   |
| Transfers out   | -                          | (185,440)          | -                  | -                        | (174,094)                     | (359,534)                                 |
| Gain on Disposition of Assets   | 386,626                    | -                  | -                  | 34,283                   | -                             | 420,909                                   |
| <b><u>TOTAL OTHER FINANCING<br/>SOURCES (USES)</u></b>  | <u>746,160</u>             | <u>(185,440)</u>   | <u>-</u>           | <u>34,283</u>            | <u>(174,094)</u>              | <u>420,909</u>                            |
| <b><u>EXCESS OF REVENUES AND<br/>OTHER FINANCING SOURCES<br/>OVER EXPENDITURES AND<br/>OTHER USES</u></b> | 2,372,768                  | 9,245              | -                  | 19,153                   | (4,046)                       | 2,397,120                                 |
| Fund balances, June 30, 2004, restated  | <u>(1,344,908)</u>         | <u>(9,245)</u>     | <u>-</u>           | <u>380,873</u>           | <u>37,641</u>                 | <u>(935,639)</u>                          |
| <b>FUND BALANCES, JUNE 30, 2005</b>   | <b><u>\$ 1,027,860</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 400,026</u></b> | <b><u>\$ 33,595</u></b>       | <b><u>\$ 1,461,481</u></b><br>(concluded) |

The accompanying notes are an integral part of this statement.

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS -**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED JUNE 30, 2005**

|   |                  |                |                     |
|---|------------------|----------------|---------------------|
| Excess of Revenues and Other Financing Sources<br>over Expenditures and Other Uses - Total Governmental Funds |                  |                | \$ 2,397,120        |
| Capital Assets:   |                  |                |                     |
| Capital outlay and other expenditures capitalized   | \$ 337,903       |                |                     |
| Depreciation expense for year ended June 30, 2005   | <u>(140,827)</u> | 197,076        |                     |
| Long Term Debt:   |                  |                |                     |
| Change in compensated absences payable  |                  | <u>118,761</u> |                     |
| Change in Net Assets - Governmental Activities  |                  |                | <u>\$ 2,712,957</u> |

The accompanying notes are an integral part of this statement

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2005**

|  |                              |
|--|------------------------------|
|  | <u>Agency<br/>Funds</u>      |
| <b><u>ASSETS</u></b>                                 |                              |
| Cash and cash equivalents - School Activity Accounts | <u>\$ 246,625</u>            |
| <br>TOTAL ASSETS                                     | <br><u><u>\$ 246,625</u></u> |
| <br><b><u>LIABILITIES</u></b>                        |                              |
| Amounts held for others                              | <u>\$ 246,625</u>            |
| <br>TOTAL LIABILITIES                                | <br><u><u>\$ 246,625</u></u> |

The accompanying notes are an integral part of this statement

## FRANKLIN PARISH SCHOOL BOARD

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Franklin Parish School Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepting standards-setting body for establishing governmental accounting and financial reporting principles.

##### A. REPORTING ENTITY

The Franklin Parish School Board was created by Louisiana Revised Statute LSA-R S 17:81 to establish policies and regulations for its own government consistent with the laws of the state of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The School Board is comprised of seven members who are elected from seven districts for terms of four years.

The School Board operates seven schools within the parish with a total enrollment of approximately 3,600 pupils. In conjunction with the regular educational programs, some of these schools offer special education and/or adult education programs. In addition, the School Board provides transportation and school food services for the students.

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the School Board is considered a *primary government*, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the School Board may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The School Board also has no *component units*, defined by GASB Statement 14 as other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board has a significant relationship.

##### B. BASIS OF PRESENTATION AND ACCOUNTING

###### Government-Wide Financial Statements (GWFS)

The Government-Wide Financial Statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability has been incurred, regardless of the timing of the related cash flows. Property taxes are recognized when the underlying sales transactions occur. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## FRANKLIN PARISH SCHOOL BOARD

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### B. BASIS OF PRESENTATION AND ACCOUNTING (continued)

###### Government-Wide Financial Statements (continued)

The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. This statement demonstrates the degree to which direct expenses of a given function of a given function are offset by program revenues. Program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions; program revenues reduce the cost of the function to be financed from the school Board's general revenues. Charges for services are primarily derived from cafeteria sales. Operating grants and contributions consist of the many educational grants received from the federal and state government.

The School Board reports all direct expenses by function in the Statement of Activities. Direct Expenses are those that are clearly identifiable with a function.

###### Fund Financial Statements (FFS)

The accounts of the School Board are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Funds are maintained consistent with legal and managerial requirements.

The funds of the School Board are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follow:

###### Governmental Fund Type

Governmental Funds are used to account for the School Board's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of fixed assets, and the servicing of long-term debt. The School Board reports the following major governmental funds:

**General Fund** is the primary operating fund of the School Board. It accounts for all financial resources of the School Board, except those required to be accounted for in another fund.

**Title I Special Revenue Fund** accounts for the operations and activities of the federal Title I grant.

**Headstart Special Revenue Fund** accounts for the operations and activities of the Headstart grant.

**School Lunch Special Revenue Fund** accounts for the operations of the school lunch program.



## FRANKLIN PARISH SCHOOL BOARD

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### B. BASIS OF PRESENTATION AND ACCOUNTING (continued)

###### Governmental Fund Type (continued)

Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

###### **Revenues**

Ad valorem taxes are recognized when all applicable eligibility requirements are met and the resources are available.

Sales and use taxes are recognized when the underlying exchange transaction occurs and the resources are available.

Entitlements and shared revenues (which include the state Minimum Foundation Program revenue and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Other receipts become measurable and available when cash is received by the School Board and are recognized as revenue at that time.

###### **Expenditures**

Salaries are recorded as earned. Salaries for nine-month employees are accrued at June 30.

**Other Financing Sources (Uses)** Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

## FRANKLIN PARISH SCHOOL BOARD

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### B. BASIS OF PRESENTATION AND ACCOUNTING (continued)

###### Fiduciary Fund Type

**Agency Funds** (Fiduciary Fund Type) are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. This fund is used to account for assets that the government holds for others in the agency capacity. The agency fund consists of the school activities agency fund which accounts for assets held by the School Board as an agent for the individual schools and school organizations. Agency funds are accounted for on the accrual basis of accounting.

##### C. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

Under state law, the School Board may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

##### D. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables/payables on the balance sheet. Short-term interfund loans are also classified as interfund receivables/payables.

##### E. ELIMINATION AND RECLASSIFICATIONS

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

##### F. INVENTORY

Inventory of the school food service special revenue fund consists of food purchased by the School Board and commodities granted by the United States Department of Agriculture through the Louisiana Department of Agriculture and Forestry. The commodities are recorded as revenues when consumed; however, all inventory items are recorded as expenditures when purchased. All purchased inventory items are valued at cost using first-in, first-out (FIFO) method, and commodities are assigned values based on information provided by the U. S. Department of Agriculture.

## FRANKLIN PARISH SCHOOL BOARD

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### G. CAPITAL ASSETS

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School Board maintains a \$5,000 threshold level for capitalizing assets.

Capital assets are recorded in the GWFS, but are not reported in the FFS. All capital assets are depreciated using the straight-line method over their estimated lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the School Board, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 9 to 10 years for equipment and 20 to 40 years for buildings and improvements.

##### H. COMPENSATED ABSENCES.

All 12-month employees earn up to ten days of vacation leave each year, depending on their length of service with the School Board. Vacation leave can be accumulated. Upon separation, all unused vacation is paid to the employee.

All School Board employees earn a certain amount of sick leave each year, depending upon the length of service and employment status. Sick leave can be accumulated without limitation. Upon retirement or death, unused accumulated sick leave of up to twenty-five days is paid to the employee or to the employee's estate at the employee's current rate of pay. Under the Louisiana Teachers' Retirement System, and the Louisiana School Employees' Retirement System, all unpaid sick leave is used in the retirement computation as earned service.

The School Board's recognition and measurement criteria for compensated absences follows:

GASB Statement 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement 16 provides that a liability for sick leave should be accrued using one of the following termination approaches:

- a. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

## FRANKLIN PARISH SCHOOL BOARD

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### H. COMPENSATED ABSENCES (continued)

- b. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. The School Board uses this approach.

##### I. RESTRICTED NET ASSETS.

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

##### J. FUND EQUITY OF FUND FINANCIAL STATEMENTS.

Reserves represent those portions of fund equity not appropriable for expenditures.

Designated Fund Balances represent tentative plans for future use of financial resources.

##### K. INTERFUND ACTIVITY

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

##### L. SALES AND USE TAXES

The School Board has the following two sales tax ordinances:

- The voters of Franklin Parish authorized the School Board to levy and collect two separate sales and use taxes; a 1% tax and a ½% tax. Revenues generated by the two taxes must be used exclusively to supplement other revenues available to the School Board for the following purposes:

## **FRANKLIN PARISH SCHOOL BOARD**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **L. SALES AND USE TAXES (continued)**

1% Sales and Use Tax - 80% of the tax are to be used for the payment of salaries of classroom teachers in the public elementary and secondary schools of Franklin Parish. The remaining 20% of the net proceeds are to be used for payment of salaries of other personnel employed by the School Board and for improvement of the operation of the public elementary and secondary schools of Franklin Parish.

½% Sales and Use Tax - a minimum of 15% of the net proceeds of the tax are to be used for the purpose of purchasing and acquiring classroom teaching supplies and equipment. The remaining taxes are to be used for the purpose of constructing, acquiring and improving school related facilities and equipment, and for the payment of maintenance and operating expenses of the public school system.

The receipt and expenditure of the sales and use taxes are included in the operations of the General Fund.

##### **M. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Excess of Expenditures Over Appropriations in Individual Funds.** The following individual funds had actual expenditures over budgeted expenditures for the year ended June 30, 2005:

|              | <u>Budget</u> | <u>Actual</u> | <u>Unfavorable<br/>Variance</u> |
|--------------|---------------|---------------|---------------------------------|
| General fund | \$ 18,083,382 | \$ 18,253,952 | \$ 170,670                      |
| Title I      | 2,035,385     | 2,115,893     | 80,508                          |
| Lunch fund   | 1,448,047     | 1,544,424     | 96,377                          |

#### **3. AD VALOREM TAXES**

The School Board levies taxes on real and business personal property located within Franklin Parish's boundaries. Property taxes are levied by the School Board on property values assessed by the Franklin Parish Tax Assessor and approved by the Louisiana Tax Commission.

## FRANKLIN PARISH SCHOOL BOARD

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### 3. AD VALOREM TAXES (continued)

The Franklin Parish Sheriff's Office bills and collects property taxes for the School Board. Collections are remitted to the School Board monthly.

#### Property Tax Calendar

|  |                   |
|--|-------------------|
| Millage rates adopted                    | September, 2004   |
| Levy date                                | September, 2004   |
| Tax bills mailed                         | November, 2004    |
| Due date                                 | December 31, 2004 |
| Lien date                                | February, 2005    |
| Collection date                          | May, 2005         |
| Tax Sale Date – 2004 Delinquent Property | May, 2005         |

Total assessed value was \$48,899,888 in calendar year 2004. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$25,413,660 of the assessed value in calendar year 2004.

State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the sheriff is required by the *Constitution of the State of Louisiana* to sell the least quantity of property necessary to settle the taxes and interest owed.

All property taxes are recorded in the general and debt service funds on the basis explained in Note 1. Revenues in such funds are recognized in the accounting period in which an enforceable legal claim arises. Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. The School Board uses the lien date to establish the enforceable legal claim date.

The tax roll is prepared by the parish tax assessor in November of each year. The collection of the 2005 property taxes occurs in December and January and February of the next year.

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

|                            | <u>Authorized<br/>Millage</u> | <u>Levied<br/>Millage</u> | <u>Expiration<br/>Date</u> |
|----------------------------|-------------------------------|---------------------------|----------------------------|
| <u>Parish-wide taxes:</u>  |                               |                           |                            |
| Constitutional School Tax  | 4.41                          | 4.41                      | N/A                        |
| Aid-To-Education           | 4.45                          | 4.45                      | 2008                       |
| Maintenance & Improvements | 5.14                          | 5.14                      | 2006                       |

# FRANKLIN PARISH SCHOOL BOARD

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### 4. DEPOSITS AND INVESTMENTS

Deposits and investments include demand deposits and certificates of deposit at local financial institutions, classified in the financial statements as cash and cash equivalents and investments, respectively. The carrying amount of the School Board's deposits with the financial institutions was \$2,097,276 and the bank balance was \$4,106,919 at June 30, 2005. Deposits in financial institutions can be exposed to custodial credit risk. Custodial credit risk for deposits is the risk that in the event of financial institution failure, the School System's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. The School System was not exposed to custodial credit risk as of June 30, 2005.

Securities that may be pledged as collateral consist of obligations of the U.S. Government and its agencies, obligations of the State of Louisiana and its municipalities and school districts.

### 5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2005 are as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>      | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|-----------------------|---------------------------|
| Governmental Activities:                     |                              |                     |                       |                           |
| Capital Assets, not being depreciated        |                              |                     |                       |                           |
| Land   | \$ 54,850                    | \$ -                | \$ -                  | \$ 54,850                 |
| Construction in Progress                     | 1,561,897                    | 174,730             | (1,736,627)           | -                         |
| Total Capital Assets not being depreciated   | 1,616,747                    | 174,730             | (1,736,627)           | 54,850                    |
| Capital Assets being depreciated:            |                              |                     |                       |                           |
| Building and Improvements                    | 7,480,213                    | 1,741,987           | -                     | 9,222,200                 |
| Machinery and Equipment                      | 893,101                      | 157,813             | (35,000)              | 1,015,914                 |
| Total Assets being depreciated               | 8,373,314                    | 1,899,800           | (35,000)              | 10,238,114                |
| Total Capital Assets at cost                 | <u>9,990,061</u>             | <u>2,074,530</u>    | <u>(1,771,627)</u>    | <u>10,292,964</u>         |
| Less accumulated depreciation for:           |                              |                     |                       |                           |
| Building and improvements                    | 6,236,735                    | 103,095             | -                     | 6,339,830                 |
| Machinery and Equipment                      | 686,119                      | 37,732              | (35,000)              | 688,851                   |
| Total Accumulated depreciation               | <u>6,922,854</u>             | <u>140,827</u>      | <u>(35,000)</u>       | <u>7,028,681</u>          |
| Total Capital Assets being Depreciated (Net) | <u>1,450,460</u>             | <u>1,758,973</u>    | <u>-</u>              | <u>3,209,433</u>          |
| Governmental Activities Capital Assets (Net) | <u>\$ 3,067,207</u>          | <u>\$ 1,933,703</u> | <u>\$ (1,736,627)</u> | <u>\$ 3,264,283</u>       |

## FRANKLIN PARISH SCHOOL BOARD

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### 6. RETIREMENT SYSTEMS

Substantially all employees of the School Board are members of two statewide retirement systems which are multiple-employer, cost-sharing public employee retirement systems. In general, professional employees such as teachers, principals and lunchroom workers are members of the Teachers' Retirement System of Louisiana (TRSL); other employees, such as custodial personnel and bus operators, are members of the Louisiana School Employees' Retirement System (LSERS). Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service.

Under the TRSL Regular Plan, there are two retirement formulas: the 2% formula and the 2.5% formula. Participants may retire under the 2% formula at age 60 with at least 10 years of service credit or at any age with 20 years of service credit. Under the 2.5% formula, participants may retire at age 65 with 20 years of service credit; at age 55 with 25 years of service credit; or at any age with 30 years of service credit. The retirement benefit formula is based on the average salary of the 36 highest consecutive months times the applicable retirement percentage formula.

Under the TRSL Plan A, normal retirement is generally at any age with 30 or more years credited service, and at the age of 55 with at least 25 years of credited service and at age 60 with at least 10 years of credited service. The retirement benefit formula is generally 3% times the average salary of the 36 highest successive months.

*Funding Policy:* As provided by statute, the School Board contributes to the TRSL based upon a percentage of covered payroll. State statutes also require covered employees to contribute a percentage of their salaries to the system. The contribution rates in effect for the year ended June 30, 2005 were as follows:

|              | <u>School Board</u> | <u>Employees</u> |
|--------------|---------------------|------------------|
| Regular plan | 15.5%               | 8.00%            |
| Plan A       | 15.5%               | 9.10%            |

As further provided by the statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the system's prior fiscal year. The School Board's contributions to the TRSL plans for the years June 30, 2005 and 2004 were \$1,759,046 and \$1,727,084 respectively, equal to the statutorily required contributions in each year.

The TRSL issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Teachers' Retirement System, P. O. Box 94123, Baton Rouge, Louisiana 70804-9123 or by calling (225) 925-6446.

Employees participating in the LSERS are eligible for normal retirement after 30 years of service at any age, 25 years of service at age 55, or 10 years of service at age 60. The maximum retirement allowance is computed at 2.5% times the highest 36 months of average salary, times the years of service plus a supplement of \$2.00 per month times the years of service.



## **FRANKLIN PARISH SCHOOL BOARD**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

#### **6. RETIREMENT SYSTEMS** (continued)

*Funding Policy:* As provided by statute, the School Board contributes to the LSERS based upon a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2005 were 18.8% and 7.5%, for the school system and the employees, respectively. State statutes also require covered employees to contribute a percentage of their salaries to the system. As further provided by the statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the system's prior fiscal year. The School Board's contributions to the LSERS plans for the years June 30, 2005 and 2004 were \$221,693 and \$110,549, respectively, equal to the statutorily required contributions in each year.

The LSERS issues an annual, public-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Louisiana School Employees' Retirement System, P. O. Box 445616, Capital Station, Baton Rouge, Louisiana 70804 or by calling (225) 925-6484.

#### **7. OTHER POST-EMPLOYMENT BENEFITS**

State statutes require the School Board to provide certain continuing health care and life insurance benefits for its retired employees. Substantially all of the School Board's employees become eligible for these benefits if they reach normal retirement age while working for the School Board. These benefits for retirees and similar benefits for active employees are provided through the State Employees' Group Benefits Programs whose monthly premiums are paid jointly by the employee and the School Board. The cost of retiree benefits for the 393 School Board retirees totaled \$1,957,189 for the year ended June 30, 2005.

#### **8. AGENCY FUND DEPOSITS DUE OTHERS**

A summary of changes in school activities agency fund deposits due others for the year ended June 30, 2005 follows:

|                            | <u>Balance,<br/>Beginning</u> | <u>Additions</u>  | <u>Deductions</u> | <u>Balance,<br/>Ending</u> |
|----------------------------|-------------------------------|-------------------|-------------------|----------------------------|
| Agency Funds:              |                               |                   |                   |                            |
| School Activities Accounts | <u>\$ 266,024</u>             | <u>\$ 724,085</u> | <u>\$ 743,484</u> | <u>\$ 246,625</u>          |

#### **9. LONG-TERM LIABILITIES**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2005:

|                      | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u>  | <u>Ending<br/>Balance</u> |
|----------------------|------------------------------|------------------|-------------------|---------------------------|
| Compensated absences | <u>\$ 780,257</u>            | <u>\$ -</u>      | <u>\$ 118,761</u> | <u>\$ 661,496</u>         |

The compensated absences liability attributable to the governmental activities will be liquidated by several of the School Board's governmental funds.

## FRANKLIN PARISH SCHOOL BOARD

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### 10. INTERFUND TRANSACTIONS

Interfund receivable/payable:

| <u>Receivable Fund</u> |                   | <u>Payable Fund</u> |                   |
|------------------------|-------------------|---------------------|-------------------|
| General                | \$ 937,581        | General             | \$ 1,132          |
| School Lunch           | 1,132             | Title I             | 89,293            |
|                        |                   | Headstart           | 13,495            |
|                        |                   | Non-major           | 834,793           |
|                        | <u>\$ 938,713</u> | Total               | <u>\$ 938,713</u> |

The purpose of interfund receivable/payable is to cover expenditures on cost reimbursement programs until reimbursements are received.

Transfers:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------|---------------------|----------------------|
| General     | \$ 359,534          | \$ -                 |
| Title I     | -                   | 185,440              |
| Non-major   | -                   | 174,094              |
| Totals:     | <u>\$ 359,534</u>   | <u>\$ 359,534</u>    |

The purpose of interfund transfers is to cover operating expenditures of the general fund through indirect cost recoveries charged to grant programs.

#### 11. RISK MANAGEMENT

The School Board manages its exposure under general liability, fleet, and errors and omissions through the purchase of commercial insurance. Qualifying employees and retirees may participate in the state group medical and life insurance plan. Risk of loss under workers' compensation statutes is self-insured by the School Board for up to \$225,000 per occurrence, with reinsurance coverage in force for losses in excess of that amount. The self-insured plan is administered by a third party, with the claims under the self-insured amount paid by the General Fund; certain Special Revenue funds may reimburse the General Fund for payment of their claims. Consistent with the provisions of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the School Board uses the General Fund to account for its risk financing activities. Claims outstanding at June 30, 2005 of approximately \$40,000 have been recorded as liabilities in the accompanying financial statements.

#### 12. LITIGATION AND CLAIMS

**Litigation.** The School Board is a defendant in several lawsuits. Management and legal counsel for the School Board believe that the potential claims against the School Board not covered by insurance would not materially affect the School Board's financial position.

**Grant Disallowances.** The School Board participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants.

## FRANKLIN PARISH SCHOOL BOARD

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### 13. PRIOR PERIOD ADJUSTMENT

Restatements to the June 30, 2004 fund balance and net assets have occurred as a result of overstatement of payroll liabilities and other miscellaneous adjustments.

|   | Fund Balance<br>General<br>Fund | Fund Balance<br>Other<br>Governmental | Net Assets<br>Government<br>Wide |
|---|---------------------------------|---------------------------------------|----------------------------------|
| Fund Balance / Net Assets<br>as of June 30, 2004,<br>as previously stated | \$ (1,666,964)                  | \$ 36,904                             | \$ 1,028,518                     |
| Overstatement of payroll liabilities                                      | 322,056                         | -                                     | 322,056                          |
| Miscellaneous adjustments   | -                               | 737                                   | 737                              |
| Fund Balance / Net Assets<br>as of June 30, 2004,<br>restated             | <u>\$ (1,344,908)</u>           | <u>\$ 37,641</u>                      | <u>\$ 1,351,311</u>              |

#### 14. RECENT ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefit Plans Other Than Pensions*. This statement will require the School System to record a liability on the statements of net assets for future health benefits to be paid to retirees. In measuring this liability, the School Board will need to engage an actuarial firm to evaluate its post-retirement benefits. The requirements of the Statement are effective for the School System for the fiscal year 2008-2009.

#### 15. CRIMINAL INVESTIGATION

In July of 2005, two current and three former School Board employees were arrested and charged with various crimes involving misappropriation of School Board assets, unauthorized use of School Board assets, payroll fraud, criminal conspiracy and malfeasance in office. One of the five individuals charged has entered a pretrial diversion program and agreed to repay the School System \$4,000. The cases of the other four individuals are currently being pursued by the Louisiana Attorney General's office. The ultimate financial impact to the School System resulting from these prosecution proceedings is unknown at this time.

#### 16. SUBSEQUENT EVENT

The ½% sales tax referred to in Note 1L, which totaled \$939,887 for the year ended June 30, 2005, expired on July 1, 2005. However, collection of the tax continued beyond the date of expiration. Upon discovery in February of 2006 of the tax's expiration and resulting unauthorized collection, the School Board placed all unauthorized collections through February 16, 2006 into an escrow account. The School Board continues to collect the tax and is holding all collections since February 16, 2006 in the restricted sales tax collections account.

The School Board has sought legal counsel from the Louisiana Attorney General's office regarding possible actions on this matter. The Board has approved a proposition to be brought before the electorate of the Parish for renewal of the tax. The election is to be held April 29, 2006.

**FRANKLIN PARISH SCHOOL BOARD**  
**BUDGETARY COMPARISON SCHEDULES**

**General Fund and Major Special Revenue Funds With Legally Adopted Annual Budgets**

**GENERAL FUND.** The General Fund accounts for all activities of the School Board except those that are accounted for in other funds.

**TITLE I.** *To improve the educational opportunities of educationally deprived children by helping them succeed in the regular school program, attain grade level proficiency and improve achievement in basic and more advanced skills. Primarily for provision of compensatory instructional activities to educationally deprived children that reside in low-income areas and have been selected on the basis of a needs assessment. Services supplement, not supplant, those normally provided by state and local educational agencies.*

**HEADSTART.** To provide a comprehensive child development program for 3 and 4 year old children from low income families. The program serves both the child and the family.

**SCHOOL LUNCH.** The school lunch fund accounts for activities of the school board's food service program.

Franklin Parish School Board

Winnsboro, Louisiana

REQUIRED SUPPLEMENTAL INFORMATION

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

|  | General Fund       |                   |                   | Variance                   |
|--|--------------------|-------------------|-------------------|----------------------------|
|  | Original<br>Budget | Final<br>Budget   | Actual            | Favorable<br>(Unfavorable) |
| <b><u>Revenues:</u></b>                                  |                    |                   |                   |                            |
| Local sources:   |                    |                   |                   |                            |
| Taxes:   |                    |                   |                   |                            |
| Ad valorem   | \$ 680,972         | \$ 619,954        | \$ 619,443        | \$ (511)                   |
| Sales and use  | 2,902,865          | 2,880,313         | 2,822,291         | (58,022)                   |
| Earnings on investments                                  | 1,000              | 7,093             | 13,226            | 6,133                      |
| Other  | 261,725            | 266,997           | 412,693           | 145,696                    |
| State sources:   |                    |                   |                   |                            |
| Unrestricted grants-in-aid                               | 15,499,226         | 15,649,128        | 15,649,126        | (2)                        |
| Restricted grants-in-aid                                 | 104,855            | 309,853           | 309,853           | -                          |
| Federal sources:   |                    |                   |                   |                            |
| Grants-in-aid - subgrants                                | 42,730             | 53,927            | 53,928            | 1                          |
| Total revenues   | <u>19,493,373</u>  | <u>19,787,265</u> | <u>19,880,560</u> | <u>93,295</u>              |
| <b><u>Expenditures:</u></b>                              |                    |                   |                   |                            |
| Current:   |                    |                   |                   |                            |
| Instruction:   |                    |                   |                   |                            |
| Regular education programs                               | 10,752,462         | 8,443,376         | 8,561,985         | (118,609)                  |
| Special education programs                               | 2,291,155          | 1,982,578         | 1,948,080         | 34,498                     |
| Other education programs                                 | 1,049,611          | 1,143,990         | 1,166,596         | (22,606)                   |
| Support services:  |                    |                   |                   |                            |
| Pupil support services                                   | 542,295            | 597,503           | 579,161           | 18,342                     |
| Instructional staff services                             | 463,698            | 740,878           | 765,027           | (24,149)                   |
| General administration services                          | 545,445            | 512,738           | 560,052           | (47,314)                   |
| School administration services                           | 849,083            | 1,115,787         | 1,126,356         | (10,569)                   |
| Business administration services                         | 358,878            | 399,848           | 406,639           | (6,791)                    |
| Plant operation and maintenance                          | 1,425,767          | 1,237,142         | 1,237,349         | (207)                      |
| Transportation   | 1,712,989          | 1,793,693         | 1,786,482         | 7,211                      |
| Food services  | 129,783            | 103,069           | 103,601           | (532)                      |
| Central services   | 1,125              | 11,229            | 11,174            | 55                         |
| Community services                                       | -                  | 1,450             | 1,450             | -                          |
| Total expenditures                                       | <u>20,122,291</u>  | <u>18,083,282</u> | <u>18,253,952</u> | <u>(170,670)</u>           |
| <br>Excess (deficiency) of revenues<br>over expenditures |                    |                   |                   |                            |
|  | \$ (628,918)       | \$ 1,703,983      | \$ 1,626,608      | \$ (77,375)                |
|  |                    |                   |                   | (continued)                |

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

|   | General Fund          |                     |                     | Variance                          |
|---|-----------------------|---------------------|---------------------|-----------------------------------|
|   | Original<br>Budget    | Final<br>Budget     | Actual              | Favorable<br>(Unfavorable)        |
| <b><u>Other financing sources (uses):</u></b>   |                       |                     |                     |                                   |
| Operating transfers in  | \$ 268,918            | \$ 335,700          | \$ 359,534          | \$ 23,834                         |
| Operating transfers out   |                       | -                   | -                   | -                                 |
| Other   | <u>360,000</u>        | <u>386,625</u>      | <u>386,626</u>      | <u>1</u>                          |
| Total other financing<br>sources (uses)   | 628,918               | 722,325             | 746,160             | 23,835                            |
| Excess of revenues and other<br>financing sources over expenditures<br>and other financing sources (uses) | -                     | 2,426,308           | 2,372,768           | (53,540)                          |
| Fund balances, June 30, 2004, restated  | <u>(1,344,908)</u>    | <u>(1,344,908)</u>  | <u>(1,344,908)</u>  | <u>-</u>                          |
| FUND BALANCES, JUNE 30, 2005  | <u>\$ (1,344,908)</u> | <u>\$ 1,081,400</u> | <u>\$ 1,027,860</u> | <u>\$ (53,540)</u><br>(concluded) |

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**TITLE I FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

|   | Title I Fund       |                 |              | Variance                   |
|---|--------------------|-----------------|--------------|----------------------------|
|   | Original<br>Budget | Final<br>Budget | Actual       | Favorable<br>(Unfavorable) |
| <b><u>Revenues:</u></b>   |                    |                 |              |                            |
| Grants-in-aid - subgrants   | \$ 1,970,468       | \$ 2,213,513    | \$ 2,310,578 | \$ 97,065                  |
| Total revenues  | 1,970,468          | 2,213,513       | 2,310,578    | 97,065                     |
| <b><u>Expenditures:</u></b>   |                    |                 |              |                            |
| Current:  |                    |                 |              |                            |
| Instruction:  |                    |                 |              |                            |
| Regular education programs  | -                  | -               | 6,975        | (6,975)                    |
| Other education programs  | 1,453,840          | 1,500,044       | 1,562,139    | (62,095)                   |
| Support services:   |                    |                 |              |                            |
| Pupil support services  | -                  | 55,577          | 56,282       | (705)                      |
| Instructional staff services  | 223,057            | 375,199         | 383,473      | (8,274)                    |
| General administration services   | 14,000             | 4,000           | -            | 4,000                      |
| Business administration services  | -                  | 5,596           | 9,880        | (4,284)                    |
| Plant operation and maintenance   | 49,663             | 85,668          | 90,728       | (5,060)                    |
| Transportation  | 55,814             | 4,899           | 6,298        | (1,399)                    |
| Food services   | -                  | 118             | 118          | -                          |
| Central services  | -                  | 4,284           | -            | 4,284                      |
| Total expenditures  | 1,796,374          | 2,035,385       | 2,115,893    | (80,508)                   |
| Excess (deficiency) of revenues<br>over expenditures  | 174,094            | 178,128         | 194,685      | 16,557                     |
| <b><u>Other financing sources (uses):</u></b>   |                    |                 |              |                            |
| Operating transfers in  | -                  | -               | -            | -                          |
| Operating transfers out   | (174,094)          | (178,128)       | (185,440)    | (7,312)                    |
| Total other financing<br>sources (uses)   | (174,094)          | (178,128)       | (185,440)    | (7,312)                    |
| Excess of revenues and other<br>financing sources over expenditures<br>and other financing sources (uses) | -                  | -               | 9,245        | 9,245                      |
| Fund balances, June 30, 2004  | (9,245)            | (9,245)         | (9,245)      | -                          |
| FUND BALANCES, JUNE 30, 2005  | \$ (9,245)         | \$ (9,245)      | \$ -         | \$ 9,245                   |



**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**HEADSTART FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

|  | Headstart Fund     |                 |                 | Variance                   |
|--|--------------------|-----------------|-----------------|----------------------------|
|  | Original<br>Budget | Final<br>Budget | Actual          | Favorable<br>(Unfavorable) |
| <b><u>Revenues:</u></b>                                  |                    |                 |                 |                            |
| Local sources:   |                    |                 |                 |                            |
| Other  | -                  | -               | 6,060           | 6,060                      |
| Federal sources:   |                    |                 |                 |                            |
| Grants-in-aid - subgrants                                | 907,547            | 993,747         | 993,747         | -                          |
| Total revenues   | <u>907,547</u>     | <u>993,747</u>  | <u>999,807</u>  | <u>6,060</u>               |
| <b><u>Expenditures:</u></b>                              |                    |                 |                 |                            |
| Current:   |                    |                 |                 |                            |
| Instruction:   |                    |                 |                 |                            |
| Special education programs                               | 19,462             | 21,310          | 21,440          | (130)                      |
| Other education programs                                 | 525,710            | 575,643         | 579,153         | (3,510)                    |
| Support services:  |                    |                 |                 |                            |
| Instructional staff services                             | 75,069             | 82,199          | 82,700          | (501)                      |
| General administration services                          | 8,493              | 9,299           | 9,356           | (57)                       |
| Business administration services                         | 34,995             | 38,318          | 38,552          | (234)                      |
| Plant operation and maintenance                          | 37,265             | 40,804          | 41,053          | (249)                      |
| Transportation   | 187,367            | 205,163         | 206,414         | (1,251)                    |
| Food services  | 15,934             | 17,448          | 17,554          | (106)                      |
| Community services                                       | 3,254              | 3,563           | 3,585           | (22)                       |
| Total expenditures                                       | <u>907,547</u>     | <u>993,747</u>  | <u>999,807</u>  | <u>(6,060)</u>             |
| <br>Excess (deficiency) of revenues<br>over expenditures | <br>\$ -           | <br>\$ -        | <br>\$ -        | <br>\$ 0                   |
| <br>Fund balances, June 30, 2004                         | <br>-              | <br>-           | <br>-           | <br>-                      |
| <br>FUND BALANCES, JUNE 30, 2005                         | <br><u>\$ -</u>    | <br><u>\$ -</u> | <br><u>\$ -</u> | <br><u>\$ -</u>            |

Note: In-kind revenues and expenditures are not incorporated into the budget and are therefore not presented.

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**SCHOOL LUNCH FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

|  | School Lunch Fund  |                   |                   |  |
|--|--------------------|-------------------|-------------------|--|
|  | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>Favorable<br>(Unfavorable) |
| <b><u>Revenues:</u></b>                              |                    |                   |                   |  |
| Local sources:                                       |                    |                   |                   |  |
| Earnings on investments                              | \$ -               | \$ 1,167          | \$ 1,784          | \$ 617                                 |
| Food services  | 210,000            | 134,000           | 133,992           | (8)                                    |
| Other  |                    | 34,283            | (1,039)           | (35,322)                               |
| State sources:                                       |                    |                   |                   |  |
| Unrestricted grants-in-aid                           | 50,000             | 50,100            | 50,100            | -                                      |
| Federal sources:                                     |                    |                   |                   |  |
| Grants-in-aid - subgrants                            | 1,439,000          | 1,260,920         | 1,344,457         | 83,537                                 |
| Total revenues                                       | <u>1,699,000</u>   | <u>1,480,470</u>  | <u>1,529,294</u>  | <u>48,824</u>                          |
| <b><u>Expenditures:</u></b>                          |                    |                   |                   |  |
| Current:   |                    |                   |                   |  |
| Food services  | <u>1,699,000</u>   | <u>1,448,047</u>  | <u>1,544,424</u>  | <u>(96,377)</u>                        |
| Total expenditures                                   | <u>1,699,000</u>   | <u>1,448,047</u>  | <u>1,544,424</u>  | <u>(96,377)</u>                        |
| Excess (deficiency) of revenues<br>over expenditures | -                  | 32,423            | (15,130)          | (47,553)                               |
| Fund balances, June 30, 2004                         | <u>380,873</u>     | <u>380,873</u>    | <u>380,873</u>    | -                                      |
| FUND BALANCES, JUNE 30, 2005                         | <u>\$ 380,873</u>  | <u>\$ 413,296</u> | <u>\$ 365,743</u> | <u>\$ (47,553)</u>                     |

## **FRANKLIN PARISH SCHOOL BOARD**

### **NOTES TO BUDGETARY COMPARISON SCHEDULES** **FOR THE YEAR ENDED JUNE 30, 2005**

#### **BUDGETS**

**General Budget Practices.** The School Board follows these procedures in establishing the budgetary data reflected in the financial statements.

State statute requires budgets to be adopted for the general fund and all special revenue funds.

Each year prior to September, the Superintendent submits to the Board proposed annual budgets for the general fund and special revenue funds. Public hearings are conducted, prior to the Board's approval, to obtain taxpayer comments. The operating budgets include proposed expenditures and the means of financing them.

Appropriations (unexpended budget balances) lapse at year-end.

Formal Budget integration (within the accounting records) is employed as a management control device. All budgets are controlled at the function level. Budget amounts included in the accompanying financial statements consist of those presented in the original budget adopted by the Board and as amended by the Board.

**Encumbrances.** Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed.

**Budget Basis of Accounting.** All governmental funds' budgets are prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are originally adopted or amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the Board to amend its budget when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures within a fund are expected to exceed budgeted expenditures by five percent or more. The School Board approves budgets at the function level and management can transfer amounts between line items within a function.

**FRANKLIN PARISH SCHOOL BOARD**

**SUPPLEMENTAL INFORMATION**

**COMBINING NON-MAJOR GOVERNMENTAL FUND STATEMENTS**

## **FRANKLIN PARISH SCHOOL BOARD**

### **NON-MAJOR GOVERNMENTAL FUNDS**

**Title II.** Combines the Eisenhower Professional Development State Grants and Class-Size Reduction programs into one program that focuses on preparing, training and recruiting high-quality teachers.

**Title IV.** Safe and Drug-Free School program to support programs designed to reduce drug, alcohol and tobacco use and violence through education and prevention activities in school.

**Title V.** To encourage comprehensive systematic school reform, upgrade institutional and professional development to align with high standards, strengthen accountability and promote the coordination of resources to improve education for all children.

**Special Education.** *The Individuals with Disabilities Act (IDEA)* is a federally financed program providing free appropriate education for all identified handicapped children from 3 to 21 years of age in the least restrictive environment.

**Adult Education.** A program which offers higher education opportunities to persons who are age 16 and older.

**Reading First.** To establish reading programs for students in kindergarten through third grade and provide teacher development to ensure teachers have the tools needed to effectively help students learn to read.

**Other Federal Programs.** Accounts for the proceeds of miscellaneous small or non-recurring federal grants including Vocational Education, Enhancing Education through Technology, and the School Renovation Grant.

**State Grants.** Used to account for special grants received from various departments of the State of Louisiana.

**Maintenance Funds.** To account for 5.14 mills property tax proceeds dedicated to maintenance of school property and for specific tax proceeds dedicated to Ward 8 and 9.

**Debt Service Funds.** Accounts for the residual of tax proceeds that were once dedicated to debt retirement. The tax has expired and the associated debt has been retired.

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

|  | Title II          | Title IV        | Title V       | Special<br>Education | Adult<br>Education |
|--|-------------------|-----------------|---------------|----------------------|--------------------|
| <b><u>ASSETS</u></b>                           |                   |                 |               |                      |                    |
| Cash and cash equivalents                      | \$ -              | \$ -            | \$ -          | \$ -                 | \$ -               |
| Due from other governments                     | 130,493           | 2,825           | 444           | 235,215              | 8,852              |
| <b>TOTAL ASSETS</b>                            | <b>\$ 130,493</b> | <b>\$ 2,825</b> | <b>\$ 444</b> | <b>\$ 235,215</b>    | <b>\$ 8,852</b>    |
| <b><u>LIABILITIES AND FUND BALANCES</u></b>    |                   |                 |               |                      |                    |
| Liabilities:                                   |                   |                 |               |                      |                    |
| Accounts payable                               | \$ -              | \$ -            | \$ -          | \$ 2,892             | \$ -               |
| Salaries and benefits payable                  | 37,503            | -               | -             | 4,728                | -                  |
| Due to other funds                             | 92,910            | 2,825           | 444           | 227,595              | 8,852              |
| Deferred revenues                              | 80                | -               | -             | -                    | -                  |
| <b>TOTAL LIABILITIES</b>                       | <b>130,493</b>    | <b>2,825</b>    | <b>444</b>    | <b>235,215</b>       | <b>8,852</b>       |
| Fund balances:                                 |                   |                 |               |                      |                    |
| Reserved for debt service                      | -                 | -               | -             | -                    | -                  |
| Unreserved, reported in:                       |                   |                 |               |                      |                    |
| Special Revenue Fund                           | -                 | -               | -             | -                    | -                  |
| <b>TOTAL FUND BALANCES</b>                     | <b>-</b>          | <b>-</b>        | <b>-</b>      | <b>-</b>             | <b>-</b>           |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 130,493</b> | <b>\$ 2,825</b> | <b>\$ 444</b> | <b>\$ 235,215</b>    | <b>\$ 8,852</b>    |

| Reading<br>First  | Other<br>Federal | State<br>Grants   | Maintenance      | Debt<br>Service  | Total             |
|-------------------|------------------|-------------------|------------------|------------------|-------------------|
| \$ -              | \$ -             | \$ -              | \$ 18,973        | \$ 14,622        | \$ 33,595         |
| 268,555           | 69,297           | 225,627           | -                | -                | 941,308           |
| <u>\$ 268,555</u> | <u>\$ 69,297</u> | <u>\$ 225,627</u> | <u>\$ 18,973</u> | <u>\$ 14,622</u> | <u>\$ 974,903</u> |
| \$ -              | \$ -             | \$ -              | \$ -             | \$ -             | \$ 2,892          |
| 54,693            | -                | 6,619             | -                | -                | 103,543           |
| 213,862           | 69,297           | 219,008           | -                | -                | 834,793           |
| -                 | -                | -                 | -                | -                | 80                |
| <u>268,555</u>    | <u>69,297</u>    | <u>225,627</u>    | <u>-</u>         | <u>-</u>         | <u>941,308</u>    |
| -                 | -                | -                 | -                | 14,622           | 14,622            |
| -                 | -                | -                 | 18,973           | -                | 18,973            |
| -                 | -                | -                 | 18,973           | 14,622           | 33,595            |
| <u>\$ 268,555</u> | <u>\$ 69,297</u> | <u>\$ 225,627</u> | <u>\$ 18,973</u> | <u>\$ 14,622</u> | <u>\$ 974,903</u> |

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2005**

|   | Title II        | Title IV      | Title V        | Special<br>Education | Adult<br>Education | Reading<br>First |
|---|-----------------|---------------|----------------|----------------------|--------------------|------------------|
| <b><u>REVENUES</u></b>  |                 |               |                |                      |                    |                  |
| Local sources:  |                 |               |                |                      |                    |                  |
| Ad valorem taxes  | \$ -            | \$ -          | \$ -           | \$ -                 | \$ -               | \$ -             |
| State sources:  |                 |               |                |                      |                    |                  |
| Restricted grants-in-aid  | -               | -             | -              | 6,775                | -                  | -                |
| Federal grants  | 383,436         | 51,205        | 14,550         | 725,742              | 27,385             | 1,586,215        |
| <b>TOTAL REVENUES</b>   | <b>383,436</b>  | <b>51,205</b> | <b>14,550</b>  | <b>732,517</b>       | <b>27,385</b>      | <b>1,586,215</b> |
| <b><u>EXPENDITURES</u></b>  |                 |               |                |                      |                    |                  |
| Current:  |                 |               |                |                      |                    |                  |
| Instruction:  |                 |               |                |                      |                    |                  |
| Regular education programs  | -               | -             | -              | -                    | -                  | -                |
| Special education programs  | -               | -             | -              | 541,355              | -                  | -                |
| Other education programs  | 316,341         | 16,552        | 797            | -                    | 26,607             | 1,380,180        |
| Support:  |                 |               |                |                      |                    |                  |
| Pupil support services  | -               | 16,026        | -              | 4,846                | -                  | -                |
| Instructional staff services  | 36,363          | 17,667        | 12,141         | 80,713               | 778                | 154,476          |
| General administration services   | 500             | -             | -              | 1,000                | -                  | -                |
| Business and central services   | -               | -             | -              | 4,521                | -                  | -                |
| Plant operation and maintenance   | -               | -             | -              | 16,286               | -                  | -                |
| Transportation  | -               | -             | -              | 112                  | -                  | -                |
| Facility acquisition and construction   | -               | -             | -              | -                    | -                  | -                |
| <b>TOTAL EXPENDITURES</b>   | <b>353,204</b>  | <b>50,245</b> | <b>12,938</b>  | <b>648,833</b>       | <b>27,385</b>      | <b>1,534,656</b> |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b>   | <b>30,232</b>   | <b>960</b>    | <b>1,612</b>   | <b>83,684</b>        | <b>-</b>           | <b>51,559</b>    |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>  |                 |               |                |                      |                    |                  |
| Transfers in  | -               | -             | -              | -                    | -                  | -                |
| Transfers out   | (30,232)        | (960)         | (1,251)        | (83,684)             | -                  | (51,559)         |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>   | <b>(30,232)</b> | <b>(960)</b>  | <b>(1,251)</b> | <b>(83,684)</b>      | <b>-</b>           | <b>(51,559)</b>  |
| <b><u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES<br/>OVER EXPENDITURES AND OTHER USES</u></b> | <b>-</b>        | <b>-</b>      | <b>361</b>     | <b>-</b>             | <b>-</b>           | <b>-</b>         |
| Fund balances, June 30, 2004, restated  | -               | -             | (361)          | -                    | -                  | -                |
| <b>FUND BALANCES, JUNE 30, 2005</b>   | <b>\$ -</b>     | <b>\$ -</b>   | <b>\$ -</b>    | <b>\$ -</b>          | <b>\$ -</b>        | <b>\$ -</b>      |



| <u>Other<br/>Federal</u> | <u>State<br/>Grants</u> | <u>Maintenance</u> | <u>Debt<br/>Service</u> | <u>Total</u>     |
|--------------------------|-------------------------|--------------------|-------------------------|------------------|
| \$ -                     | \$ -                    | \$ 58,233          | \$ -                    | \$ 58,233        |
| -                        | 284,680                 | -                  | -                       | 291,455          |
| 522,796                  | 71,046                  | -                  | -                       | 3,382,375        |
| <u>522,796</u>           | <u>355,726</u>          | <u>58,233</u>      | <u>-</u>                | <u>3,732,063</u> |
| 49,064                   | 1,378                   | -                  | -                       | 50,442           |
| 1,000                    | -                       | -                  | -                       | 542,355          |
| 205,343                  | 273,106                 | (127)              | -                       | 2,218,799        |
| -                        | -                       | -                  | -                       | 20,872           |
| 86,251                   | 52,748                  | -                  | -                       | 441,137          |
| -                        | -                       | -                  | -                       | 1,500            |
| -                        | 560                     | 29                 | -                       | 5,110            |
| -                        | -                       | 86,018             | -                       | 102,304          |
| -                        | 4,654                   | -                  | -                       | 4,766            |
| 174,730                  | -                       | -                  | -                       | 174,730          |
| <u>516,388</u>           | <u>332,446</u>          | <u>85,920</u>      | <u>-</u>                | <u>3,562,015</u> |
| 6,408                    | 23,280                  | (27,687)           | -                       | 170,048          |
| -                        | -                       | -                  | -                       | -                |
| (6,408)                  | -                       | -                  | -                       | (174,094)        |
| (6,408)                  | -                       | -                  | -                       | (174,094)        |
| -                        | 23,280                  | (27,687)           | -                       | (4,046)          |
| -                        | (23,280)                | 46,660             | 14,622                  | 37,641           |
| <u>\$ -</u>              | <u>\$ -</u>             | <u>\$ 18,973</u>   | <u>\$ 14,622</u>        | <u>\$ 33,595</u> |

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS**

**FOR THE YEAR ENDED JUNE 30, 2005**

|                      |                  |
|----------------------|------------------|
| Mrs. Dorothy Brown   | \$ 4,200         |
| Mr. Rickey Donnell   | 4,200            |
| Mr. James Harris     | 4,500            |
| Mrs. Louise Johnson  | 4,500            |
| Mrs. Bobbie Johnston | 1,050            |
| Mr. J. W. Mercer     | 1,050            |
| Mr. Lawrence Roberts | 4,200            |
| Mr. Robert Robertson | 3,150            |
| Mr. A. L. Rhodes     | <u>3,150</u>     |
|                      | <u>\$ 30,000</u> |



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**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Franklin Parish School Board  
Winnsboro, Louisiana

We have audited the financial statements of the Franklin Parish School Board as of and for the year ended June 30, 2005, and have issued our report thereon dated October 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Franklin Parish School Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2005-1. Additionally, we noted an immaterial instance of non-compliance which we have reported to management in a separate letter dated October 28, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Franklin Parish School System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Franklin Parish School System in a separate letter dated October 28, 2005.

This report is intended for the information of the Franklin Parish School Board, management, federal and state awarding agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
October 28, 2005



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Franklin Parish School Board  
Winnsboro, Louisiana

Compliance

We have audited the compliance of the Franklin Parish School Board with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Franklin Parish School Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Franklin Parish School Board's management. Our responsibility is to express an opinion on the Franklin Parish School Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Franklin Parish School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Franklin Parish School Board's compliance with those requirements.

In our opinion the Franklin Parish School Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our audit procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2005-2, 2005-3, 2005-4 and 2005-5.

### Internal Control Over Compliance

The management of the Franklin Parish School System is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Franklin Parish School System's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Franklin Parish School System as of and for the year ended June 30, 2005, and have issued our report thereon dated October 28, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the Franklin Parish School Board, management, federal and state awarding agencies and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlithwaite & Nettewille*

Baton Rouge, Louisiana  
October 28, 2005

**Franklin Parish School Board**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

| <u>Program</u>   | <u>CFDA#</u> | <u>PROJECT/GRANT #</u> | <u>AWARD PERIOD</u>  | <u>Expenditures</u> |
|--|--------------|------------------------|----------------------|---------------------|
| <b><u>United States Department of Education</u></b>                      |              |                        |                      |                     |
| <i>Passed through the Louisiana Department of Education</i>              |              |                        |                      |                     |
| CARL PERKINS   | 84.048       | 28-05-02-1             | 07/01/04 TO 06/30/05 | 75,142              |
| CARL PERKINS CARRY OVER  | 84.048       | 28-04-02-21-C          | 07/01/04 TO 06/30/05 | 1,662               |
| ADULT EDUCATION FED. FUNDS   | 84.002A      | 28-05-44-21            | 07/01/04 TO 09/30/05 | 27,385              |
| TITLE I C/O  | 84.010A      | 28-03-T1-21C           | 10/01/03 TO 09/30/04 | 12,713              |
| TITLE I 04/05  | 84.010A      | 28-05-T1-21            | 07/01/04 TO 09/30/05 | 1,235,117           |
| TITLE I C/O  | 84.010A      | 28-05-T1-21C           | 10/01/04 TO 09/30/05 | 258,830             |
| SCHOOL IMPROVEMENT   | 84.010A      | 04-TA-21               | 01/01/04 TO 09/30/05 | 72,704              |
| TITLE I  | 84.010A      | 28-04-T1-21            | 07/01/03 TO 09/30/04 | 731,214             |
| IDEA 03/04   | 84.027A      | 28-04-B1-21            | 07/01/03 TO 09/30/04 | 149,718             |
| IDEA C/O 03/04   | 84.027A      | 28-04-B1-21C           | 10/01/04 TO 09/30/04 | 90,248              |
| IDEA 04/05   | 84.027A      | 28-05-B1-21            | 07/01/04 TO 09/30/05 | 399,363             |
| PRE GED/SKILLS OPTIONS PROGRAM   | 84.027A      | 28-03-BG-21            | 06/01/04 TO 09/30/04 | 37,888              |
| PRESCHOOL 04/05  | 84.173A      | 28-05-P1-21            | 07/01/04 TO 09/30/05 | 26,683              |
| IDEA-PRESCHOOL   | 84.173A      | 2804P121               | 10/01/04 TO 09/30/05 | 21,842              |
| TITLE IV 03/04   | 84.186A      | 04-70-21               | 07/01/03 TO 09/30/04 | 16,301              |
| TITLE IV 04/05   | 84.186A      | 05-70-21               | 07/01/04 TO 09/30/05 | 34,904              |
| TITLE V 04 05  | 84.298.A     | 05-80-21               | 07/01/04 TO 09/30/05 | 8,148               |
| TITLE V  | 84.298A      | 04-80-21               | 07/01/03 TO 09/30/04 | 6,402               |
| A2K CHALLENGE GRANT  | 84.303A      | R303A980332-02         | 10/01/02 TO 09/30/04 | 63,712              |
| ENHANCING EDUCATION THRU TECH. (E.E.T.                                   | 84.318X      | 28-05-49-21            | 07/01/04 TO 09/30/05 | 41,573              |
| EETT 03/04   | 84.318x      | 28-04-49-21            | 10/01/03 TO 09/30/04 | 6,074               |
| TECH PREP (CONSORTIUM)   | 84.318X      |                        | 07/01/04 TO 06/30/05 | 3,369               |
| SCHOOLTECH   | 84.318X      | 28-05-46-21            | 07/01/04 TO 09/30/05 | 112,738             |
| SCHOOL RENOVATION  | 84.352A      | 03-SG-21               | 10/01/02 TO 09/30/05 | 174,730             |
| READING FIRST  | 84.357A      | 28-03-RF-21            | 07/01/03 TO 09/30/04 | 400,857             |
| READING FIRST 03/04  | 84.357A      | 28-04-RF-21            | 07/01/04 TO 09/30/05 | 174,775             |
| READING FIRST 04/05  | 84.357A      | 2804RS-21              | 07/01/04 TO 09/30/05 | 206,199             |
| READING FIRST 04/05  | 84.357A      | 2805RF-21              | 07/01/04 TO 09/30/05 | 319,129             |
| READING FIRST CARRYOVER  | 84.357A      | 2804RF-21C             | 10/01/04 TO 09/30/05 | 485,255             |
| REAP (RURAL ED. ACHIEVEMENT PROGRAM)                                     | 84.358B      | 28-05-RE-21            | 07/01/04 TO 09/30/05 | 43,795              |
| TITLE II 03/04   | 84.367A      | 28-04-50-21            | 07/01/03 TO 09/30/04 | 37,558              |
| TITLE II   | 84.367A      | 28-05-50-21            | 07/01/04 TO 09/30/05 | 342,183             |
| TITLE II C/O   | 84.367A      | 28-04-50-21C           | 10/01/04 TO 09/30/05 | 3,695               |
| <i>Passed through the Louisiana Sysetmic Initiatives Program Council</i> |              |                        |                      |                     |
| LA Gear-Up   | 84.334A      | P334S020010            | 07/1/04 TO 06/30/05  | 71,046              |
| Total Department of Education  |              |                        |                      | <u>5,692,953</u>    |
| <b><u>United States Department of Health and Human Services</u></b>      |              |                        |                      |                     |
| Head Start   | 93.600       |                        |                      | 993,747             |
| <b><u>United States Department of Defense</u></b>                        |              |                        |                      |                     |
| ROTC   | N/A          | N/A                    | 07/01/04 TO 06/30/05 | 53,928              |
| <b><u>United States Department of Agriculture</u></b>                    |              |                        |                      |                     |
| <i>Passed through the Louisiana Department of Education</i>              |              |                        |                      |                     |
| School Lunch   | 10.555       |                        | 07/01/04 TO 06/30/05 | 342,779             |
| School Breakfast   | 10.553       |                        | 07/01/04 TO 06/30/05 | 904,290             |
| Commodities  | 10.569       |                        | 07/01/04 TO 06/30/05 | 97,388              |
| Total Department of Agriculture  |              |                        |                      | <u>1,344,457</u>    |
| Total Expenditures of Federal Awards                                     |              |                        |                      | <u>\$ 8,085,085</u> |

**FRANKLIN PARISH SCHOOL BOARD**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Franklin Parish School Board and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. During the year ended June 30, 2005, the School Board received commodities valued at \$ 97,388. At June 30, 2005, the organization had food commodities totaling \$26,962 in inventory.

**FRANKLIN PARISH SCHOOL BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

**A. Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued: *Unqualified*

Internal Control over Financial Reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☒ yes ☐ no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☒ yes ☐ no

Identification of major programs:

CFDA Numbers

84.010  
84.367  
84.027 - 84.173  
10.550, 10.553, 10.555  
84.357

Name of Federal Program or Cluster

Title I Grants to Local Educational Agencies  
Improving Teacher Quality  
Special Education Cluster  
Child Nutrition Cluster  
Reading First

The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.

The Franklin Parish School Board was not determined to be a low-risk auditee.



**FRANKLIN PARISH SCHOOL BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

**B. Findings – Financial Statement Audit**

**2005-1**                      **Level 1 and 2 MFP increase dedicated to certificated personnel compensation**

Criteria:                      MFP Circulars distributed by the Louisiana DOE require half of the Level 1 and 2 increases in MFP funding be used to increase certificated personnel salaries.

Condition:                    The School Board did not provide the increased compensation to the certificated employees on a timely basis.

Effect:                        Certificated personnel of the school system are owed, in the aggregate, approximately \$153,000 in salary increases. This amount has been accrued as payable in the financial statements as of June 30, 2005.

Recommendation:        The School Board should provide the required salary adjustments on a more timely basis in future years.

*Management's  
Response:                    Management concurs with the finding and will take measures to ensure that salary schedules are changed more timely in the future. Additionally, the Board approved the salary increases through a supplement to be paid out in December 2005.*

**C. Findings and Questioned Costs – Major Federal Award Programs**

**84.010 Title I**

**2005-2**                      **Allowable Costs**

Criteria:                      OMB Circular A-87 general criteria indicates that costs charged to federal programs should be allocable to those programs, that is, each program should bear its fair share of all costs.

Condition:                    The central office maid's compensation of \$14,928 is paid entirely from the Title One program as is a school system deliveryman's compensation of \$19,606. Additionally, a disproportionate share of the power bill for a portion of the central office (the Media Center) is paid by Title One (Total costs of \$35,000). This does not appear to be a fair allocation of these costs, as the central office houses the administration of several different programs, including general administration.

Questioned Costs:        Unknown

Effect:                        Title One may be absorbing costs that should be paid by the general fund and other federal programs.

**FRANKLIN PARISH SCHOOL BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

**2005-2**

**Allowable Costs (continued)**

**Recommendation:** Costs charged to the Title One program as direct costs should be directly related to the provision of Title One services. In future budgets, care should be exercised in budgeting administrative\indirect type costs to the program. These type costs are generally recouped through the indirect cost agreement with the Louisiana Department of Education.

**Management's  
Response:**

*The central office maid's salary has been based on time records since January 2005. The deliveryman's schedule is closely monitored to insure that his work schedule deals with Title I program. The utility costs which had been paid by Title I are now split 60(GF)/40(TI). This division was derived from estimated use of program activities.*

**84.010**

**Title I**

**84.367**

**Title II**

**2005-3**

**Reporting**

**Criteria:** School districts in Louisiana receiving federal funds passed through the Louisiana Department of Education (LDOE) must report annual expenditures which portray compliance with the maintenance of fiscal effort requirements set forth in the program regulations. The amounts reported to the state should be derived from the finalized books and records.

**Condition:** The amounts reported to the State did not agree to the final audited financial statements.

**Questioned Costs:** None

**Effect:** It is noted that the school district appears to have complied with the maintenance of fiscal effort requirements when compliance is measured using final audited financial statements. However, use of non-final audited financial data could result in a false computation of compliance.

**Recommendation:** The school district should prepare the computation using final audited financial data.

**Management's  
Response:**

*Financial Data for Title I maintenance of effort was taken from the final AFR. The Financial Data for Special Ed. was taken from the General Fund and Sales Tax funds only per the suggestion of the state auditors.*

**FRANKLIN PARISH SCHOOL BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

**84.027**

**Special Education**

**2005-4**

**Allowable Costs**

Criteria: Costs charged to federal grants must comply with the cost principals set forth in OMB Circular A-87. One of the general criteria of allowability per the Circular is that costs must be adequately documented.

Condition: In our sample of 40 non payroll charges to the program, three items contained no documentation.

Questioned Costs: \$ 14,906

Effect: The School Board charged unallowable costs to the grant.

Cause: Administrative staff indicate that a range of checks and relating supporting documentation have been misfiled and cannot be located.

Recommendation: Staff should be diligent in filing and storing accounting records and supporting documentation. Such documentation should be kept for a minimum of 5 years.

*Management's*

*Response: Merging funds into the Master Bank has eliminated the necessity to keep separate files on separate bank accounts.*

**2005-5**

**Allowable Costs**

Criteria: According to OMB Circular A-87, where employees are expected to work on multiple cost objectives (programs), compensation costs charged to the various programs will be supported by personnel activity reports which reflect an after-the fact distribution of actual time spent in each program prepared on a monthly basis (minimal).

Condition: The Special Education director's compensation is shared between the general fund (75%) and the special education grant fund (25%). Such shared expenses would be logical given that special education is funded from both general and federal funds. However, the amount of compensation charged to the special education grant was not supported by monthly personnel activity reports as required by OMB Circular A-87.

Questioned Costs: \$15,000

Effect: The School Board is in violation of the allowability provisions of OMB Cost Circular A-87 with regard to compensation of the special education supervisor.

Recommendation: The personnel activity reports should be completed and signed by the supervisor on a monthly basis. Furthermore, a clear definition of the activities performed for the grant should be established that delineates from those performed under the general fund.

*Management's*

*Response: Special Education Supervisor spends almost 100% of her time on Special Education needs which involve mostly Federal Programs as well as General Fund. Because of less than 5% of the time being General Fund, OMB Circular A-87 is completed semi-annually.*

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2004-1**

**Reconciliation of bank statements to the general ledger**

- Criteria: To ensure accurate financial reporting and to provide a process for detection of improper cash activity, bank reconciliations should be performed monthly for each bank\brokerage account.
- Condition: The payroll clearing bank account was not reconciled on a monthly basis to the general ledger.
- Effect: Absent the process of reconciliation on a regular basis, financial reports may be inaccurate and monitoring of cash activity does not occur.
- Recommendation: The payroll clearing bank account should be reconciled to the general ledger on a monthly basis.
- Current Status: Bank reconciliations are now prepared monthly.*

**2004-2**

**Balancing and settlement of amounts due to and from other funds**

- Criteria: In the routine operation of the school system, amounts are customarily advanced from the general fund to the other funds of the school district in order to pay expenses. The practice of advancing funds is routine and even necessary for the operation federal programs, as federal regulations mandate that the school system disburse expenditures, then seek reimbursement for eligible program costs. When making these advances, proper accounting is essential in order to ensure that advances are returned to the general fund.
- Condition: In the performance of the audit, we noted that the amounts due to and from the various funds were not reconciled nor settled on a regular basis. Furthermore, the amounts were out of balance with each other (meaning that the due from certain funds did not match the amounts due to in the corresponding funds).
- Effect: This condition results in several financial reporting issues. First, as amounts go unsettled, it is less likely that they will ever be collected by the General Fund. Secondly, confusion can arise as to what is owed to the general fund, ultimately resulting in loss to the general fund. Furthermore, reconciliation of the advances provides a check and balance against amounts to be received from the State DOE. Without the process of reconciliation of the advances, costs may be omitted from the federal program reimbursement requests, ultimately resulting in lost reimbursement of the federal funds.
- Recommendation: We recommend that advances to and from all funds be reconciled and settled on a monthly basis.
- Current status: Due to\from accounts are now reconciled monthly.*

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2004-3**

**Violation of State Budget Law, General Fund deficits**

- Criteria: LSA-RS 39:1310 and 1311 provide that state that the chief executive or administrative officer shall notify the board when actual beginning fund balance fails to meet estimated beginning fund balance by five percent or more, or when budget revenues or expenditures are projected to fall negatively compared to the budget by five percent or more. Upon receiving the notification, the Board is to amend the budget. In no event shall a budget amendment be adopted proposing expenditures which exceed the total of estimated funds available for the fiscal year.
- Condition: The General Fund's beginning fund balance failed to meet estimated beginning fund balance by approximately \$1.2 million. The Board did not subsequently amend the budget to reflect this revised fund balance.
- Effect: The School Board is non-compliant with the state budget law. Additionally, failure to act timely may have contributed to the fund deficit, which is now approximately \$1.7 million, as compared to approximately \$800,000 at the beginning of the fiscal year.
- Recommendation: The Board should amend the budgets in accordance with the statute. Additionally, the budgets should be monitored on a continual basis. To assist the Board in execution of its duties, accurate and reliable financial reports should be submitted to the board on a monthly basis. The reports should include an analysis of actual expenditures in comparison to the budget. The accounting staff should take appropriate steps to ensure the accuracy and reliability of reports submitted to the board.
- Current Status: Monthly reports are submitted to the board. Through school consolidations and reductions in-force, the deficit has been eliminated.*

**2004-4**

**Violation of State Budget Law**

- Criteria: LSA-RS 39: 1305 requires submission of proposed budgets for the General Fund and each special revenue fund to be submitted to the Board and made available for public inspection no later than September 15. LSA-RS 39:1308 requires the Board to adopt the budgets in public session.
- Condition: The special revenue funds of the School Board were not submitted to the Board or made available for public inspection. Furthermore, the budgets were not adopted by the Board.
- Effect: The special revenue funds were operating under unapproved budgets. Approval of these budgets by the Board and public inspection is required by state law.
- Recommendation: The special revenue funds' budgets should be submitted to the Board and made available for public inspection in accordance with the statute.
- Current Status: The special revenue funds are now included in the budget package submitted and approved by the Board.*

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2004-5**

**Violation of State Audit Law**

- Criteria: LSA-RS 24:513 requires all public board and agencies with revenues of \$3,500,000 in one fiscal year to be audited in accordance with Louisiana Audit Guide. Said audit must be completed and submitted to the Louisiana Legislative Auditor no more than six months after the close of the entity's fiscal year.
- Condition: The School Board obtained an audit of its books and records, however, said audit was not submitted to the Legislative Auditor within the required time frame.
- Effect: The School Board is out of compliance with the state audit law.
- Recommendation: The audit should be completed and submitted to the board within the required time frame. The administrative staff and the auditors should work together to ensure future compliance.
- Current Status: The audit of the June 30, 2005 financial statements has been completed and submitted to the Legislative Auditor within the time frame required by the statute.*

**C. Findings and Questioned Costs -- Major Federal Award Programs**

**84.010 Title I**

**2004-6**

**Allowable Costs**

- Criteria: According to OMB Circular A-87, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. Said certifications must be signed by the employee or his/her supervisor.
- Condition: The required signed certifications were not obtained.
- Questioned Cost: \$458,023
- Effect: The School Board is in violation of the allowability provisions of OMB Cost Circular A-87 with regard to personnel compensation.

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2004-6**

**Allowable Costs** (continued)

Recommendation: The required certifications on employees working solely for federal programs should be signed by the program supervisors on a semi-annual basis as required by OMB Circular A-87.

Current Status: *Certifications are now completed as needed.*

**2004-7**

**Allowable Costs**

Criteria: According to OMB Circular A-87, where employees are expected to work on multiple cost objectives (programs), compensation costs charged to the various programs will be supported by personnel activity reports which reflect an after-the fact distribution of actual time spent in each program.

Condition: The positions of computer coordinator and skilled craft printer are charged to both Title One and the general fund. For these individuals, the required personnel activity reports are completed, however, they do not reflect actual time spent on each program. Rather, a general estimate of time of the percentage of total time an employee devoted to the Title 1 Program is made for the payroll period. This estimate used for each payroll period equates to the percentage indicated in the Title One budget approved by the state department of Education.

Questioned Costs: \$47,320

Effect: The School Board is in violation of the allowability provisions of OMB Cost Circular A-87 with regard to personnel compensation.

Recommendation: The personnel activity reports for the individuals should reflect actual time spent on each program\cost objective. The program staff may want to refine its definition of what constitutes Title One activity, as the job duties of these positions contain inherent administrative functions.

Current Status: *Monthly certifications of apportionment of time are now completed. We believe this practice complies with OMB Circular A-87.*

**2004-8**

**Allowable Costs**

Criteria: OMB Circular A-87 general criteria indicates that costs charged to federal programs should be allocable to those programs, that is, each program should bear its fair share of all costs.

Condition: The central office maid's compensation of \$20,528 is paid entirely from the Title One program. Additionally, a disproportionate share of the power bill for a portion of the central office (the Media Center) is paid by Title One. This does not appear to be a fair allocation of these costs, as the central office houses the administration of several different programs, including general administration.

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2004-8**

**Allowable Costs** (continued)

Questioned Costs: Unknown

Effect: Title One may be absorbing costs that should be paid by the general fund and other federal programs.

Recommendation: Costs charged to the Title One program as direct costs should be directly related to the provision of Title One services. In future budgets, care should be exercised in budgeting administrative\indirect type costs to the program. These type costs are generally recouped through the indirect cost agreement with the state.

*Current Status: This matter remains unresolved and has been repeated as a finding. See finding 2005-2.*

**2004-9**

**Cash management**

Criteria: Grantees the reimbursement basis should expend cash for eligible costs prior to the time of receiving draw-downs of grants funds. This should result in little to no build-up of cash for the federal program.

Condition: The Title One program has approximately \$180,000 of cash on hand at June 30, 2004. This condition was a result of the program receiving draw-downs of grant funds prior to the time they were disbursed. Additionally, an advance to other funds of approximately \$38,000 was made from this excess cash on hand.

Questioned Costs: Unknown

Effect: The School Board is non-compliant with the Common Rule regarding grants administration on cash management.

Recommendation: The program administration should contact the Louisiana Department of Education to determine a method for reducing the amount of available cash in the program to an appropriate level.

*Current Status: Title I expenditures are now incurred before requests are made except for salaries which may be requested one month in advance. The Title One Program's costs are disbursed through a Master Bank account, which is dominated by the general fund. This helps ensure that costs are fronted by the General Fund.*

**2004-10**

**Special Tests and Provisions - Comparability**

Criteria: An LEA must use state and local funds to provide services in participating schools that, taken as a whole, are at least comparable to that the LEA is providing to non-Title One schools.

Condition: One of the 8 participating Title One schools was determined to be non-comparable to non Title One schools, that is, the services provided with state and local funds were not at least equal to that of non Title One schools.



**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2004-10**

**Special Tests and Provisions – Comparability** (continued)

Questioned Cost: Undetermined

Effect: The School Board is noncompliant with the comparability requirements for one of the participating schools.

Recommendation: In preparing the annual general fund budget, care should be taken to ensure that the comparability requirements are met for the Title One schools.

*Current Status: The 2004/05 Comparability Report has been completed and schools are now comparable.*

**93.600 Head Start**

**2004-11**

**Allowable Costs**

Criteria: OMB Circular A-87 general criteria indicates that costs charged to federal programs should be allocable to those programs, that is each program should bear its fair share of all costs.

Condition: Compensation of a school cafeteria employee was charged to the Head Start program.

Questioned Costs: \$10,500

Effect: Costs charged to the program are disproportionate to the benefits received.

Recommendation: The compensation costs of the school cafeteria employee should be charged to the national school lunch and breakfast program fund.

*Current Status: This matter remains unresolved. The Program administrator disagrees with the auditor's finding and is awaiting a ruling from the granting agency. However, this position is no longer being funded by Head Start beginning with the 2005-2006 school year.*

**2004-12**

**Matching**

Criteria: Head Start Regulations require a 20% match from grant recipients. Costs counted toward the match must comply with the provisions of OMB Circular A-87.

Condition: The School Board appears to have met its matching requirement. However, in calculating the School Board's in-kind match, the allocation of certain costs is questioned. Those costs include an allocation of the superintendent's compensation and utilities costs. Total questioned match of \$23,384. It should be noted that the School Board has met its matching requirement despite these questioned in-kind allocations.

Effect: If in-kind contributions are not allocated fairly and reasonably, then the School Board could be at risk for failing to meet its matching requirements.

Recommendation: All allocations should be closely scrutinized for proper allocability.

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2004-12**

**Matching (continued)**

*Current Status: This matter remains unresolved. The Program administration disagrees with the auditor's finding and is awaiting a ruling from the granting agency.*

**2004-13**

**Earmarking**

**Criteria:** Ninety percent of all children served in the program must come from low income households.

**Condition:** The School Board's Head Start administration does not formally track the number of participants to ensure compliance with 90% low income participation requirement. Additionally, documentation of low income determination is lacking in participant files. The administration depends upon proof of low income determination from other programs serving the low income population such as food stamps, and Medicaid cards as opposed to performing their own determination of eligibility as required by the program guidelines.

**Effect:** The Board could not document that it met the 90% low income participation rule.

**Recommendation:** The program administration should formally track the number of low income children during the registration process and should maintain such documentation on file. Additionally, the administration should perform their own determination of eligibility based upon the program guidelines. This determination should be clearly documented in the participants file.

**Current Status:** *Franklin Parish Head Start now has a data base in which income eligibility is a part. Head Start staff examines acceptable proof of income (tax forms 1040, W-2 forms, pay stubs, pay envelopes, written statements from employers, or documentation showing current status as recipients of public assistance) and signs a form verifying the proof examined, which is entered into the child's personal file. The family's annual salary is computed and compared to the Head Start poverty guidelines. This information is entered into the database. If the family is below the poverty guideline, then the child is considered for enrollment. Should there be any child whose family exceeds the poverty guideline but qualifies for the program in every other way, Head Start staff shall make sure that there are no more than 13 children (10% of 136) enrolled into the program (the oldest 13) who are not considered as low income.*

**2004-14**

**Procurement**

**Criteria:** Recipients of state and local grants must comply with the state and local purchasing laws. LSA-RS 38:2212 requires that purchases of materials, supplies or equipment exceeding \$20,000 must be advertised for bids and let by contract to the lowest responsible bidder.

**Condition:** The School Board purchased playground equipment with a total cost of \$26,223. Although two competitive quotes were obtained, the purchase was not put through the bid process in accordance with state law.

**Questioned Costs:** \$26,223

**Effect:** With regard to this purchase, the School Board is noncompliant with the state bid law, and is thus non-compliant with federal program regulations.

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2004-14**

**Procurement (continued)**

Recommendation: All purchases of materials, supplies and equipment should comply with the bid law.

Current Status: *Franklin Parish Head Start complies with bid laws when procuring property and equipment. Program management disagrees with the auditor's finding and their definition of "purchase".*

**2004-15**

**Allowable Costs**

Criteria: Cost charged to federal awards must comply with OMB Circular A-87 (the Circular). The Circular's basic guidelines require costs to be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of a government.

Condition: The School Board compensates its employees according to a Board approved salary schedule that sets standard pay for employees according to education and experience. The Head Start Program does not follow the salary schedule. Adherence to the salary schedule is necessary for compliance with the Circular.

Questioned Costs: Undetermined. Total compensation plus benefits in the program equals approximately \$592,500, however, calculating the amounts in excess of the salary schedule is complicated by the fact that Head Start employees do not receive end of the year salary supplements from dedicated sales tax, as do all other employees.

Effect: The Head Start employees receive regular compensation at levels above those for comparable positions of other activities in the district. It is noted that the salary costs do not appear excessive, despite the noncompliance.

Recommendation: Head Start employees are School System employees and should be paid as such in accordance with the Board approved salary schedule.

Current Status: *The Franklin Parish Head Start did use the Franklin Parish School Board salary schedule as base pay for employees. However, instead of step increases, Head Start employees are required to receive COLA Funds from the federal government each year. Sales tax was not included in the original budget for this program. When estimating the budget for the 2005/2006 school year, plans are being made for funds to be set aside in an amount equal to support personnel share of the sales tax supplement, if funds are available and if approved by Regional Office. Franklin Parish Head Start disagrees with the audit finding and is awaiting a ruling from the granting agency.*

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**84.352A**

**School Renovation Grant**

**2004-16**

**Davis Bacon**

- Criteria: Wages paid to laborers and mechanics working on construction contracts must be paid prevailing wage rates as set forth by the U.S. Department of Labor. It is the responsibility of the grant recipient to monitor compliance by receiving and reviewing weekly payrolls that are required to be submitted from the contractors.
- Condition: Contractor payrolls were not submitted to the Board and thus no monitoring occurred.
- Questioned Costs: Undetermined
- Effect: The School Board is non-compliant with this administrative requirement of the grant.
- Recommendation: The School Board, or its contracted party, should monitor Davis Bacon compliance as required by federal regulations.
- Current Status: *Federal funds are not customarily used for construction activities for the Franklin Parish School Board. This matter will be addressed if any future grants warrant.*

**2004-17**

**Suspension and Debarment**

- Criteria: Contracts in excess of \$100,000 or greater must contain a certification that the contractor has not been suspended or debarred from receiving contracts involving federal funds.
- Condition: The School Board's contract with the contractor for the Winnsboro Elementary School Renovation project did not contain the required certification.
- Questioned Costs: Undetermined
- Effect: The School Board could be contracting with ineligible parties.
- Recommendation: The School Board should comply with the federal regulations regarding contracting to ensure that the parties are not prohibited from receiving contracts involving federal funds. Effective November 2003, grantees must actively search the GSA website at [www.arnet.gov/epls](http://www.arnet.gov/epls) to determine if the contractor is listed on the suspended or debarred party listing.
- Current Status: *To be addressed if any future grants warrant.*

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

|                       |                                |               |                                     |
|-----------------------|--------------------------------|---------------|-------------------------------------|
| <u>84.010</u>         | <u>Title I</u>                 | <u>84.318</u> | <u>Education Through Technology</u> |
| <u>10.555,553,569</u> | <u>Child Nutrition Cluster</u> | <u>84.027</u> | <u>Special Education</u>            |
| <u>84.367</u>         | <u>Title II</u>                | <u>84.350</u> | <u>Rural Education</u>              |

**2004-18**

**Material Weaknesses in Internal Controls over Financial Reporting**

Material weaknesses in internal controls over financial reporting are reported as findings related to the financial statement audit as items 2004-1 and 2004-2 under section B of this report. Those internal control weaknesses also affected the School Board's ability to comply with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* for allowable costs, cash management and reporting.

*Current Status:*

*See 2004-1 and 2004-2.*

**FRANKLIN PARISH SCHOOL SYSTEM**  
**PERFORMANCE AND STATISTICAL DATA**



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**Independent Accountant's Report  
On Applying Agreed-Upon Procedures**

To the Members of the Franklin Parish School Board

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Franklin Parish School Board and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of Franklin Parish School Board and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

**General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)**

**Procedure #1:**

We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:

- Total General Fund Instructional Expenditures,
- Total General Fund Equipment Expenditures,
- Total Local Taxation Revenue,
- Total Local Earnings on Investment in Real Property,
- Total State Revenue in Lieu of Taxes,
- Nonpublic Textbook Revenue, and
- Nonpublic Transportation Revenue.

Results of Procedure # 1:

In performing the testing on the sample of expenditures/revenues, we noted no transactions that were inappropriately classified or were recorded at an inappropriate amount.

**Education Levels of Public School Staff (Schedule 2)**

Procedure # 2

We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule.

Results of Procedure # 2:

No differences were noted between the number of teachers per schedule 4 and schedule 2. It was noted that teachers were repeated in the detailed support. As a result, in schedule 2 there should be 156 certified teachers with a bachelor's degree instead of 179 and 31 certified teachers with a master's degree instead of 33. On schedule 4, the following were noted:

| <u>Years<br/>Experience</u> | <u>Per<br/>Schedule 4</u> | <u>Per detailed<br/>support</u> |
|-----------------------------|---------------------------|---------------------------------|
| 0-1 year                    | 11                        | 10                              |
| 2-3 years                   | 36                        | 32                              |
| 4-10 years                  | 62                        | 51                              |
| 11-14 years                 | 29                        | 24                              |
| 15-19 years                 | 46                        | 42                              |
| 20-24 years                 | 18                        | 18                              |
| 25+ years                   | 64                        | 64                              |
| Total                       | 266                       | 241                             |

Procedure # 3

We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.

Results of Procedure # 3

No differences were noted between the number of principals and assistant principals per schedule 4 and schedule 2.

Procedure # 4

We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file to determine if the individual's education level was properly classified on the schedule.



Results of Procedure # 4:

In our sample of 25 employees, no discrepancies existed between the aforementioned listing and the schedule. No discrepancies between education levels per the listing and the individual personnel files were noted.

**Number and Type of Public Schools (Schedule 3)**

Procedure # 5

We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title One application.

Results of Procedure # 5:

We noted no discrepancies between the total number of schools as listed in the Title One Program application and the list supporting the schools represented in the schedule.

**Experience of Public Principals and Full-time Classroom Teachers (Schedule 4)**

Procedure #6

We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file to determine if the individual's experience was properly classified on the schedule.

Results of Procedure # 6:

In our sample of 25 employees, no discrepancies existed between the aforementioned listing and the schedule. No discrepancies between experience levels per the listing and the individual personnel files were noted.

**Public Staff Data (Schedule 5)**

Procedure # 7

We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalency as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file to determine if the individual's salary, extra compensation, and full-time equivalency were properly included on the schedule.

Results of Procedure # 7:

No differences were noted between the aforementioned listing and the schedule.

Procedure # 8

We recalculated the average salaries and full-time equivalents reported in the schedule.

Results of Procedure # 8:

We noted no differences between the averages reported on the schedule and our calculations.

Class Size Characteristics (Schedule 6)

Procedure # 9

We obtained the "Class Size Data Reports", which are reports obtained from and produced by the State Department of Education, and which serve as the source of information for completing schedule 6. We tied the "Class Size Data Reports" into schedule 6. We then selected 10 individual schools' "Class Size Data Reports" at random. For those schools, we obtained the "Inquire on Class Schedule Data Report" from the State Department of Education computing network and selected one class from the reports at random. We obtained the teacher roll books for each class selected. Our sample ultimately consisted of 10 classes.

Results of Procedure # 9

Of the 10 classes tested, there were discrepancies in 2 classes:

|                     | Class size per<br>Teacher reports (ultimately<br>included in Schedule 6) | Class size per<br>roll books |
|---------------------|--|------------------------------|
| Class discrepancy 1 | 23   | 25                           |
| Class discrepancy 2 | 26   | 25                           |

Louisiana Educational Assessment Program (LEAP) for the 21st Century (Schedule 7)

Procedure # 10

We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the Franklin Parish School Board.

Results of Procedure # 10:

No differences were noted.

The Graduation Exit Exam for the 21st Century (Schedule 8)

Procedure # 11

We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the Franklin Parish School Board.

Results of Procedure #11

No differences were noted.

**The Iowa Tests (Schedule 9)**

**Procedure # 12**

We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the Franklin Parish School Board.

**Results of Procedure # 12**

No differences were noted.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Franklin Parish School Board, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite ; Netterville*

Baton Rouge, Louisiana

October 28, 2005

**FRANKLIN PARISH SCHOOL BOARD**  
**WINNSBORO, LOUISIANA**

**Schedules Required by State Law (R.S. 24:514 - Performance and Statistical Data)**

**As of and for the Year Ended June 30, 2005**

**Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources**

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

**Schedule 2 - Education Levels of Public School Staff**

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principal's with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 3 - Number and Type of Public Schools**

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial Statistical Report (AFSR).

**Schedule 4 - Experience of Public Teachers and Full-time Classroom Teachers**

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 5 - Public School Staff Data**

This schedule includes average classroom teachers salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 6 - Class Size Characteristics**

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the legislature in the Annual School Report (ASR).

#### **Schedule 7 - Louisiana Educational Assessment Program (LEAP)**

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

#### **Schedule 8 - The Graduation Exit Exam**

This schedule represents student performance testing data and includes summary scores by district for grades 10 and 11 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

#### **Schedule 9 - The IOWA Tests**

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, 7 and 9 for each district. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes three years of data.

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2005**

**General Fund Instructional and Equipment Expenditures**

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

|  |           |            |
|--|-----------|------------|
| Classroom Teacher Salaries                       | 7,192,320 |            |
| Other Instructional Staff Activities             | 363,204   |            |
| Employee Benefits                                | 3,699,544 |            |
| Purchased Professional and Technical Services    | 67,089    |            |
| Instructional Materials and Supplies             | 206,137   |            |
| Instructional Equipment                          | 105,019   |            |
| Total Teacher and Student Interaction Activities |           | 11,633,312 |

Other Instructional Activities 18,061

|  |         |         |
|--|---------|---------|
| Pupil Support Activities                     | 578,961 |         |
| Less: Equipment for Pupil Support Activities | -       |         |
| Net Pupil Support Activities                 |         | 578,961 |

|  |         |         |
|--|---------|---------|
| Instructional Staff Services                     | 776,775 |         |
| Less: Equipment for Instructional Staff Services | -       |         |
| Net Instructional Staff Services                 |         | 776,775 |

Total General Fund Instructional Expenditures 13,007,109

Total General Fund Equipment Expenditures 105,019

**Certain Local Revenue Sources**

Local Taxation Revenue:

|   |           |           |
|---|-----------|-----------|
| Constitutional Ad Valorem Taxes   | 176,684   |           |
| Renewable Ad Valorem Tax  | 399,390   |           |
| Debt Service Ad Valorem Tax   | -         |           |
| Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes | 43,370    |           |
| Sales and Use Taxes   | 2,822,291 |           |
| Total Local Taxation Revenue  |           | 3,441,734 |

Local Earnings on Investment in Real Property:

|   |       |       |
|---|-------|-------|
| Earnings from 16th Section Property                 | 3,490 |       |
| Earnings from Other Real Property                   | -     |       |
| Total Local Earnings on Investment in Real Property |       | 3,490 |

State Revenue in Lieu of Taxes:

|                                      |        |        |
|--------------------------------------|--------|--------|
| Revenue Sharing - Constitutional Tax | -      |        |
| Revenue Sharing - Other Taxes        | 65,610 |        |
| Revenue Sharing - Excess Portion     | -      |        |
| Other Revenue in Lieu of Taxes       | -      |        |
| Total State Revenue in Lieu of Taxes |        | 65,610 |

Nonpublic Textbook Revenue 6,410

Nonpublic Transportation Revenue -

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**Education Levels of Public School Staff**  
**As of October 1, 2004**

| Category                      | Full-time Classroom Teachers |         |                |         | Principals & Assistant Principals |         |                |         |
|-------------------------------|------------------------------|---------|----------------|---------|-----------------------------------|---------|----------------|---------|
|                               | Certificated                 |         | Uncertificated |         | Certificated                      |         | Uncertificated |         |
|                               | Number                       | Percent | Number         | Percent | Number                            | Percent | Number         | Percent |
| Less than a Bachelor's Degree | 0                            | 0.00%   | 9              | 69.23%  | 0                                 | 0.00%   | 0              | 0       |
| Bachelor's Degree             | 179                          | 68.42%  | 4              | 30.77%  | 0                                 | 0.00%   | 0              | 0       |
| Master's Degree               | 33                           | 13.60%  | 0              | 0.00%   | 5                                 | 31.25%  | 0              | 0       |
| Master's Degree + 30          | 39                           | 17.11%  | 0              | 0.00%   | 9                                 | 56.25%  | 0              | 0       |
| Specialist in Education       | 2                            | 0.88%   | 0              | 0.00%   | 2                                 | 12.50%  | 0              | 0       |
| Ph. D. or Ed. D.              | 0                            | 0.00%   | 0              | 0.00%   | 0                                 | 0.00%   | 0              | 0       |
| Total                         | 253                          | 100.00% | 13             | 100.00% | 16                                | 100.00% | 0              | 0       |

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**Number and Type of Public Schools**  
**For the Year Ended June 30, 2005**

| Type        | Number |
|-------------|--------|
| Elementary  | 1      |
| Secondary   | 1      |
| Combination | 5      |
| Total       | 7      |



**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**Experience of Public Principals and Full-time Classroom Teachers**  
**As of October 1, 2004**

|                      | 0-1 Yr. | 2-3 Yrs. | 4-10 Yrs. | 11-14 Yrs. | 15-19 Yrs. | 20-24 Yrs. | 25+ Yrs. | Total |
|----------------------|---------|----------|-----------|------------|------------|------------|----------|-------|
| Assistant Principals | 0       | 0        | 0         | 0          | 1          | 1          | 6        | 8     |
| Principals           | 0       | 0        | 0         | 0          | 1          | 1          | 6        | 8     |
| Classroom Teachers   | 11      | 36       | 62        | 29         | 46         | 18         | 64       | 266   |
| <i>Total</i>         | 11      | 36       | 62        | 29         | 48         | 20         | 76       | 282   |

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**Public School Staff Data**  
**For the Year Ended June 30, 2005**

|   | <b>All Classroom<br/>Teachers</b> | <b>Classroom Teachers<br/>Excluding ROTC<br/>and Rehired Retirees</b> |
|---|-----------------------------------|---|
| <b>Average Classroom<br/>Teachers' Salary<br/>Including Extra Compensation</b>                        | 34,820.99                         | 34,314.51   |
| <b>Average Classroom<br/>Teachers' Salary<br/>Excluding Extra Compensation</b>                        | 33,260.84                         | 33,062.22   |
| <b>Number of Teacher Full-time<br/>Equivalents (FTEs) used in<br/>Computation of Average Salaries</b> | 260.37                            | 215.41  |

**Note:** Figures reported include all sources of funding (i.e., federal, state, and local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers and ROTC teachers receive more compensation because of a federal supplement. Therefore, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes and temporary employees.

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**Class Size Characteristics**  
**As of October 1, 2004**

| School Type                      | Class Size Range |        |         |        |         |        |         |        |
|----------------------------------|------------------|--------|---------|--------|---------|--------|---------|--------|
|                                  | 1 - 20           |        | 21 - 26 |        | 27 - 33 |        | 34+     |        |
|                                  | Percent          | Number | Percent | Number | Percent | Number | Percent | Number |
| Elementary                       | 53%              | 326    | 43%     | 263    | 5%      | 28     | 0%      | 0      |
| Elementary Activity Classes      | 55%              | 48     | 27%     | 24     | 7%      | 6      | 11%     | 10     |
| Middle/Jr. High                  | 0%               | 0      | 0%      | 0      | 0%      | 0      | 0%      | 0      |
| Middle/Jr. High Activity Classes | 0%               | 0      | 0%      | 0      | 0%      | 0      | 0%      | 0      |
| High                             | 44%              | 73     | 34%     | 56     | 22%     | 36     | 0%      | 0      |
| High Activity Classes            | 91%              | 30     | 3%      | 1      | 3%      | 1      | 3%      | 1      |
| Combination                      | 100%             | 58     | 0%      | 0      | 0%      | 0      | 0%      | 0      |
| Combination Activity Classes     | 100%             | 24     | 0%      | 0      | 0%      | 0      | 0%      | 0      |

**Note:** The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**Louisiana Educational Assessment Program (LEAP) for the 21st Century**  
**For the Year Ended June 30, 2005**

| District Achievement Level<br>Results | English Language Arts |             |            |             |            |             | Mathematics |             |            |             |            |             |
|---------------------------------------|-----------------------|-------------|------------|-------------|------------|-------------|-------------|-------------|------------|-------------|------------|-------------|
|                                       | 2005                  |             | 2004       |             | 2003       |             | 2005        |             | 2004       |             | 2003       |             |
| Students                              | Number                | Percent     | Number     | Percent     | Number     | Percent     | Number      | Percent     | Number     | Percent     | Number     | Percent     |
| <b>Grade 4</b>                        |                       |             |            |             |            |             |             |             |            |             |            |             |
| Advanced                              | 5                     | 2%          | 2          | 1%          | 3          | 1%          | 3           | 1%          | 1          | 0%          | 5          | 2%          |
| Mastery                               | 33                    | 12%         | 26         | 8%          | 20         | 6%          | 30          | 11%         | 26         | 8%          | 23         | 7%          |
| Basic                                 | 94                    | 35%         | 107        | 33%         | 102        | 33%         | 101         | 38%         | 107        | 33%         | 109        | 35%         |
| Approaching Basic                     | 76                    | 28%         | 99         | 30%         | 102        | 33%         | 67          | 25%         | 83         | 25%         | 77         | 25%         |
| Unsatisfactory                        | 61                    | 23%         | 95         | 29%         | 82         | 27%         | 68          | 25%         | 112        | 34%         | 95         | 31%         |
| <b>Total</b>                          | <b>269</b>            | <b>100%</b> | <b>329</b> | <b>100%</b> | <b>309</b> | <b>100%</b> | <b>269</b>  | <b>100%</b> | <b>329</b> | <b>100%</b> | <b>309</b> | <b>100%</b> |

| District Achievement Level<br>Results | Science    |             |            |             |            |             | Social Studies |             |            |             |            |             |
|---------------------------------------|------------|-------------|------------|-------------|------------|-------------|----------------|-------------|------------|-------------|------------|-------------|
|                                       | 2005       |             | 2004       |             | 2003       |             | 2005           |             | 2004       |             | 2003       |             |
| Students                              | Number     | Percent     | Number     | Percent     | Number     | Percent     | Number         | Percent     | Number     | Percent     | Number     | Percent     |
| <b>Grade 4</b>                        |            |             |            |             |            |             |                |             |            |             |            |             |
| Advanced                              | 2          | 1%          | 2          | 1%          | 5          | 2%          | 1              | 0%          | 4          | 1%          | 2          | 1%          |
| Mastery                               | 27         | 10%         | 24         | 7%          | 20         | 6%          | 13             | 5%          | 27         | 8%          | 24         | 8%          |
| Basic                                 | 91         | 34%         | 93         | 28%         | 81         | 26%         | 98             | 37%         | 98         | 30%         | 100        | 32%         |
| Approaching Basic                     | 93         | 35%         | 134        | 41%         | 123        | 40%         | 70             | 26%         | 90         | 27%         | 90         | 29%         |
| Unsatisfactory                        | 56         | 21%         | 76         | 23%         | 80         | 26%         | 86             | 32%         | 109        | 33%         | 93         | 30%         |
| <b>Total</b>                          | <b>269</b> | <b>100%</b> | <b>329</b> | <b>100%</b> | <b>309</b> | <b>100%</b> | <b>268</b>     | <b>100%</b> | <b>328</b> | <b>100%</b> | <b>309</b> | <b>100%</b> |

## Schedule 7

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**Louisiana Educational Assessment Program (LEAP) for the 21st Century**  
**For the Year Ended June 30, 2005**

| District Achievement Level Results | English Language Arts |             |            |             |            |             | Mathematics |             |            |             |            |             |
|------------------------------------|-----------------------|-------------|------------|-------------|------------|-------------|-------------|-------------|------------|-------------|------------|-------------|
|                                    | 2005                  |             | 2004       |             | 2003       |             | 2005        |             | 2004       |             | 2003       |             |
| Students                           | Number                | Percent     | Number     | Percent     | Number     | Percent     | Number      | Percent     | Number     | Percent     | Number     | Percent     |
| <b>Grade 8</b>                     |                       |             |            |             |            |             |             |             |            |             |            |             |
| Advanced                           | 0                     | 0%          | 1          | 0%          | 2          | 1%          | 3           | 1%          | 5          | 2%          | 4          | 1%          |
| Mastery                            | 29                    | 11%         | 19         | 7%          | 30         | 12%         | 5           | 2%          | 11         | 4%          | 5          | 2%          |
| Basic                              | 100                   | 38%         | 79         | 30%         | 92         | 38%         | 126         | 46%         | 116        | 43%         | 104        | 37%         |
| Approaching Basic                  | 98                    | 37%         | 125        | 48%         | 82         | 34%         | 75          | 27%         | 71         | 26%         | 84         | 30%         |
| Unsatisfactory                     | 39                    | 15%         | 36         | 14%         | 38         | 16%         | 64          | 23%         | 69         | 25%         | 82         | 29%         |
| <b>Total</b>                       | <b>266</b>            | <b>100%</b> | <b>260</b> | <b>100%</b> | <b>244</b> | <b>100%</b> | <b>273</b>  | <b>100%</b> | <b>272</b> | <b>100%</b> | <b>279</b> | <b>100%</b> |

| District Achievement Level Results | Science    |             |            |             |            |             | Social Studies |             |            |             |            |             |
|------------------------------------|------------|-------------|------------|-------------|------------|-------------|----------------|-------------|------------|-------------|------------|-------------|
|                                    | 2005       |             | 2004       |             | 2003       |             | 2005           |             | 2004       |             | 2003       |             |
| Students                           | Number     | Percent     | Number     | Percent     | Number     | Percent     | Number         | Percent     | Number     | Percent     | Number     | Percent     |
| <b>Grade 8</b>                     |            |             |            |             |            |             |                |             |            |             |            |             |
| Advanced                           | 3          | 1%          | 2          | 1%          | 1          | 0%          | 1              | 0%          | 4          | 2%          | 0          | 0%          |
| Mastery                            | 36         | 14%         | 40         | 16%         | 39         | 16%         | 24             | 9%          | 22         | 9%          | 14         | 6%          |
| Basic                              | 92         | 35%         | 82         | 32%         | 76         | 32%         | 114            | 44%         | 94         | 37%         | 102        | 43%         |
| Approaching Basic                  | 80         | 31%         | 82         | 32%         | 84         | 35%         | 61             | 23%         | 82         | 33%         | 74         | 31%         |
| Unsatisfactory                     | 50         | 19%         | 47         | 19%         | 39         | 16%         | 61             | 23%         | 50         | 20%         | 49         | 21%         |
| <b>Total</b>                       | <b>261</b> | <b>100%</b> | <b>253</b> | <b>100%</b> | <b>239</b> | <b>100%</b> | <b>261</b>     | <b>100%</b> | <b>252</b> | <b>100%</b> | <b>239</b> | <b>100%</b> |

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**The Graduation Exit Exam for the 21st Century**  
**For the Year Ended June 30, 2005**

| District Achievement Level<br>Results | English Language Arts |             |            |             |            |             | Mathematics |             |            |             |            |             |
|---------------------------------------|-----------------------|-------------|------------|-------------|------------|-------------|-------------|-------------|------------|-------------|------------|-------------|
|                                       | 2005                  |             | 2004       |             | 2003       |             | 2005        |             | 2004       |             | 2003       |             |
| Students                              | Number                | Percent     | Number     | Percent     | Number     | Percent     | Number      | Percent     | Number     | Percent     | Number     | Percent     |
| <b>Grade 10</b>                       |                       |             |            |             |            |             |             |             |            |             |            |             |
| Advanced                              | 0                     | 0%          | 1          | 0%          | 0          | 0%          | 4           | 2%          | 11         | 4%          | 11         | 4%          |
| Mastery                               | 19                    | 10%         | 25         | 11%         | 19         | 9%          | 21          | 10%         | 31         | 13%         | 28         | 11%         |
| Basic                                 | 77                    | 42%         | 89         | 39%         | 97         | 47%         | 73          | 36%         | 88         | 35%         | 80         | 33%         |
| Approaching Basic                     | 55                    | 30%         | 67         | 29%         | 56         | 27%         | 34          | 17%         | 35         | 14%         | 43         | 17%         |
| Unsatisfactory                        | 34                    | 18%         | 49         | 21%         | 35         | 17%         | 70          | 35%         | 83         | 33%         | 84         | 34%         |
| <b>Total</b>                          | <b>185</b>            | <b>100%</b> | <b>231</b> | <b>100%</b> | <b>207</b> | <b>100%</b> | <b>202</b>  | <b>100%</b> | <b>248</b> | <b>100%</b> | <b>246</b> | <b>100%</b> |

| District Achievement Level<br>Results | Science    |             |            |             |            |             | Social Studies |             |            |             |            |             |
|---------------------------------------|------------|-------------|------------|-------------|------------|-------------|----------------|-------------|------------|-------------|------------|-------------|
|                                       | 2005       |             | 2004       |             | 2003       |             | 2005           |             | 2004       |             | 2003       |             |
| Students                              | Number     | Percent     | Number     | Percent     | Number     | Percent     | Number         | Percent     | Number     | Percent     | Number     | Percent     |
| <b>Grade 11</b>                       |            |             |            |             |            |             |                |             |            |             |            |             |
| Advanced                              | 1          | 1%          | 1          | 1%          | 2          | 1%          | 0              | 0%          | 0          | 0%          | 0          | 0%          |
| Mastery                               | 20         | 11%         | 19         | 11%         | 18         | 11%         | 9              | 5%          | 10         | 6%          | 16         | 9%          |
| Basic                                 | 57         | 31%         | 75         | 44%         | 74         | 44%         | 87             | 48%         | 101        | 59%         | 78         | 46%         |
| Approaching Basic                     | 57         | 31%         | 53         | 31%         | 41         | 24%         | 47             | 26%         | 34         | 20%         | 47         | 28%         |
| Unsatisfactory                        | 46         | 25%         | 24         | 14%         | 35         | 21%         | 38             | 21%         | 27         | 16%         | 29         | 17%         |
| <b>Total</b>                          | <b>181</b> | <b>100%</b> | <b>172</b> | <b>100%</b> | <b>170</b> | <b>100%</b> | <b>181</b>     | <b>100%</b> | <b>172</b> | <b>100%</b> | <b>170</b> | <b>100%</b> |

**FRANKLIN PARISH SCHOOL BOARD**  
**Winnsboro, Louisiana**

**The IOWA Tests**  
**For the Year Ended June 30, 2005**

|  | <b>Composite</b> |      |      |
|--|------------------|------|------|
|  | 2005             | 2004 | 2003 |
|  |                  |      |      |
| <b>Test of Basic Skills (ITBS)</b>             |                  |      |      |
| Grade 3  | 46               | 46   | 48   |
| Grade 5  | 41               | 44   | 48   |
| Grade 6  | 35               | 44   | 38   |
| Grade 7  | 43               | 45   | 44   |
|  |                  |      |      |
| <b>Tests of Educational Development (ITED)</b> |                  |      |      |
| Grade 9  | 44               | 45   | 40   |

Scores are reported by National Percentile Rank. A student's National Percentile Rank shows the student's relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. A student with a score of 72 indicates that the student scored the same or better than 72 percent of the students in the norm group.

FRANKLIN PARISH SCHOOL BOARD

REPORT TO MANAGEMENT

JUNE 30, 2005





FRANKLIN PARISH SCHOOL BOARD

REPORT TO MANAGEMENT

JUNE 30, 2005



**Postlethwaite & Netterville**

A Professional Accounting Corporation  
Associated Offices in Principal Cities of the United States  
www.pncpa.com

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October 28, 2005

Members of the Board and Management  
Franklin Parish School Board  
Winnsboro, Louisiana

In planning and performing our audit of the financial statements of the Franklin Parish School Board for the year ended June 30, 2005, we considered the School Board's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. We also considered its compliance with certain provisions of laws and regulations in order to properly perform the audit in accordance with governmental standards and not to provide an opinion on compliance with those provisions.

However, during our audit, we became aware of several matters that are opportunities for improving financial reporting and refining policies and procedures. Additionally, we found several matters that are immaterial instances of noncompliance that are required to be communicated under Government Auditing Standards. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated October 28, 2005, on the financial statements of the School Board.

**A. Amount due to\ from payroll clearing fund**

**Condition:** The School Board maintains a payroll clearing fund which accounts for all payroll and payroll related payments. It also collects the amounts due from each fund for its respective payrolls. The amounts due\to from the general and special revenue funds were not being reconciled on a monthly basis.

**Recommendation:** The amounts due to\from the payroll clearing fund should be reconciled monthly. All differences should be researched and resolved. Additionally, all amounts due to and from should clear to zero each month.

**Management's  
Response:**

*Efforts have been made to reconcile and keep all payrolls paid and up to date whether it is a debit or a credit created in the course of a payroll being generated. After reviewing the 04/05 fiscal year, this seems to have been done. With the addition of an Accountant on staff, one of the duties will be to review the payroll account at the end (or beginning) of each month to make sure all accounts are up to date.*

**B. School Activity Funds**

**Condition:** In the performance of our audit procedures regarding the school activity accounts, we noticed numerous instances of violations of the school board's policies and procedures for those accounts. The violations for each separate school have been provided to the business manager for her to distribute to each school. The more prevalent findings include:

- Invoices not being stamped paid to prevent double payment.
- Lack of documentation of principal's approval for fundraising events and field trips.
- Lack of supporting documentation for receipts collected (teacher collection logs, ticket reconciliations, etc).
- Receipt tickets not pre-numbered.
- Small amounts of sales taxes paid on certain items.
- Lack of invoice/voucher for payment of officials at athletic events.

**Recommendation:** All schools should comply with the board approved policies and procedures. The business manager may want to hold periodic meetings to educate the school secretaries and principals of the policies and procedures, and their importance and relevance. The administration may want to designate an individual to serve as an internal auditor of those accounts.

**Management's  
Response:**

The Principals and Secretaries of each school are to be notified of their school's findings. They will have a chance to respond to the findings. It is the goal of this administration to then audit each school at least every other year. Numbered receipts are to be ordered for use at the schools.

**C. Capital Asset Records**

**Condition:** The School System's capital asset records have seen improvement, however, those records still appear to be lacking certain assets. We noticed that certain automobiles, and instructional software are excluded. Such items would be in excess of the school system's capitalization threshold and thus should be included.

Additionally, we noticed weaknesses in the School System's inventory process. It appears that the central office's property control records were only partially updated from the results of the physical inventory that was completed.

**Recommendation:** The central office's property control listings should be updated to include all busses, automobiles, and all items that need to be added or deleted as a result of the physical inventory.

**Management's  
Response:**

The capital asset records are continually being worked on and updated as information is provided to the Bookkeeper. Franklin Parish School Board now has a bookkeeper in place for shipping/receiving of all goods and record keeping of fixed assets.

D. State Budget Law

Condition: La Revised Statute 39:1310 requires governments to amend general and special revenue fund budgets when actual expenditures plus expected expenditures exceed budgeted amounts by 5% or more or when actual revenues plus expected revenues will fall short of budgeted amounts by 5% or more. The following fund's actual expenditures exceeded its budget by more than 5%.

School Lunch and Breakfast          6.2 %

Recommendation: We recommend that all programs adhere to its adopted budget and monitor compliance. When it becomes apparent that expenditures will exceed the budget by 5% or more, or when revenues will fall short by 5% or more, the budget should be brought before the board for amendment.

*Management's Response:*          The Lunch Fund will be reviewed more closely and the budget adjusted accordingly.

E. Contributions to the Louisiana School Employees Retirement System

Condition: The System is required to make contributions to the retirement system equal to a percentage of covered payroll, said percentage to be established by the board of the retirement system on an annual basis. The approved rate of contribution for 2004-2005 was 14.8% of payroll. The school System actually paid a rate of 18.8%, which resulted in an overpayment of approximately \$ 47,000.

It should be noted that this overpayment was made in good faith by the school system, as the initial correspondence from the retirement system indicated an approved rate of 18.8. However, the rate was subsequently changed. Correspondence regarding the revised rate was not received by the school system's staff.

Recommendation: The school system should contact the retirement system office about a possible reimbursement. The school system may want to consider confirming the rates being paid on a semi annual basis to ensure current rates are being applied.

*Management's Response:*          *The office of the School Employees Retirement System has been notified of the overpayment on our part. They are working on this, as it was an oversight on their part as well.*

F. Time and Effort Certifications by Special Education Employees

Condition: Federal cost circulars require very specific documentation in order for payroll costs to be charged to a grant. Those requirements include certifications of time and effort expended on a semi-annual basis for those employees paid solely from a grant source, and monthly personnel activity reports for those employees working on multiple cost centers.

While the Special Education department attempts to comply with the requirement, clarification needs to occur regarding exactly what functions constitute "grant functions". Special Education is funded from both state and local "general fund" dollars from and a federal grant. Many of the certifications we reviewed attested to expending 100% of an individual's time and effort on grant functions, when those employees were in-fact paid from the general fund.

Recommendation: The Special Education department should revise its practice to obtain certifications from only those employees being paid from the Special Education federal grant funds. The activities being carried out by those funds\programs should be clearly defined and should be differentiated from the activities paid for by the general fund.

Management's  
Response: *Individuals being paid out of General Fund will no longer complete the OMB forms for the federal grants.*

We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience to perform any additional study of these matters, or to assist you in implementing the recommendations. We would also like to thank the School Board staff for their patience and cooperation with us during the performance of the audit.

Sincerely,

*Postlethwaite, Netterville*

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS**

This schedule presents the management letter comments and the actions taken by management of the Franklin Parish School Board with regard to those matters:

**A. Bank reconciliations**

**Condition:** Many stale-dated outstanding checks (checks issued that have not cleared the bank) appear on the bank reconciliations of the following accounts: Master bank, payroll, school lunch, parish-wide maintenance and Title 11. The appearance of these items on the bank reconciliation impedes the reconciliation process, and can even provide an avenue for fraud.

**Recommendation:** The stale-dated outstanding checks should be removed from the bank reconciliation along with a corresponding journal entry to the general ledger. The school system should also consult its attorneys regarding compliance with the state's escheat laws.

**Management's Response:** *We are currently in the process of researching old checks in old funds and voiding/reissuing as necessary. The school board attorney will be contacted regarding very old ones that are still questionable.*

**Current Status:** *The school board has made the necessary adjustments and removed old checks from the reconciliation.*

**B. School Activity Funds**

**Condition:** The School Board's policy requires that bank reconciliations be prepared monthly by the school secretary and the principal, and that a copy be forwarded to the Business Manager for review. We noted that the Business Manager was reviewing these accounts only sporadically.

**Recommendation:** We recommend that the School Board's policy be followed. School Accounts should be reviewed by the business manager or his/her designee on a monthly basis. Additionally, we recommend periodic audits of the disbursements be performed by central office personnel.

**Management's Response:** *The schools are to send concurring reports of bank reconciliations, monthly reports, year to date reports, deposits, check registers monthly, beginning in January. Prior to this date, reports only consisted of a copy of the bank statement/reconciliation and a list of whatever each school was accustomed to sending. All schools were not consistent with the same reports. These will be reviewed, and the schools contacted if any questions arise. School audits are planned as soon as additional staffing is hired and trained.*

**Current Status:** *The reconciliations are being performed and forwarded monthly. Additionally, audits are now being performed periodically.*

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS**

**C. Food Inventory**

**Condition:** Currently, the School Board is not booking a monthly adjustment in the general ledger to adjust the inventory accounts to the counted totals on hand.

**Recommendation:** We recommend that the School Board make a monthly entry to adjust the general ledger accounts to the counted totals on hand.

**Management's Response:** *Managers at each school perform physical counts. Adjustments to inventory are made on SFS-7A Inventory Used Form. These adjustments to inventory will be reflected in journal entries per school each month. Physical inventories are filed monthly on purchases and commodities in the schools.*

**Current Status:** *This condition still exists. An audit adjustment was proposed and accepted.*

**D. Organizational Structure of Accounting Department\Business Office**

**Condition:** Each fund or program of the School Board operates their own bookkeeper who reports to the program director, rather than to the business manager. This structure does not foster an environment of strong accounting controls, as the Business Manager (chief accountant) has limited ability to review the bookkeeper's work and provide directives.

**Recommendation:** We recommend that each bookkeepers of each program be made a part of the accounting department and be placed under the business manager's chain of authority. Such a structure could facilitate stronger control over the accounting in those programs as well as foster synergy of the accounting process for the district as whole.

**Management's Response:** *It is recognized that the Accounting Department must undergo restructuring. It is an ongoing process at present, and is being addressed and duties assigned as necessary.*

**Current:** *The Business Manager now oversees all bookkeepers and reviews their work as needed.*

**E. Computer System Processes and Security**

**1. Data Back-up Storage**

**Condition:** Back-up data is stored at two locations – one on site at the central office and a second at the residence of a School Board employee.

**Recommendation:** We recommend storing the second backup copy in a more secure location, such as a safety deposit box or locked in a safe at one of the schools.

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS**

*Management's*

*Response:*        *The tapes will be stored at an off site facility other than a personal home.*

*Current Status:*    *Back-up data is now stored in the vault at Franklin Parish High School.*

**2. Security**

a. **Condition:**        The room that houses the servers is left unlocked and is easily accessible by any employees.

**Recommendation:**    We recommend that this room remain locked at all times and possession of keys be restricted only to IT support personnel.

*Management's*

*Response:*        *The door knob will be replaced with one that can only be opened with a key. Keys will be numbered and assigned. Spare keys will be "checked out" as needed for in-services because the laptops are stored in the room too.*

*Current Status:*    *The servers are now in a locked room that requires key access.*

b. **Condition:**        Some workstations are using Microsoft Windows 98. There are two concerns with a Windows 98 operating system. The first concern is that the operating system is no longer supported by Microsoft. The second concern is that Windows 98 is considered to be an un-secure operating system. Passwords are easily obtained for both workstation and network login. This is a potential security risk if the workstations are connected to the accounting system.

**Recommendation:**    The Windows 98 operating system should be scheduled to be replaced and or upgraded on all workstations that are using this platform, especially if they are used to connect to the accounting records.

*Management's*

*Response:*        *When new updated computers can be purchased, the newer windows version will be installed.*

*Current Status:*    *The necessary upgrades have been made.*

c. **Condition:**        Franklin Parish School Board has no formal disaster recovery plan.

**Recommendation:**    We recommend the development of a formal disaster recovery plan.

*Management's*

*Response:*        *It is recognized that a disaster plan does need to be in place.*

*Current Status:*    *There is no formal disaster recovery plan. This condition still exists.*



**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS**

- d. Condition: The file access logs are not reviewed regularly.
- Recommendation: We recommend that file access logs be reviewed on a regular basis and unusual items investigated.

*Management's  
Response:*

*There are exceptions reports to all contracted monthly payrolls for any changes in payroll from one month to another. Other reports are automatically generated on the general ledger side. For instance, when closing a month, a report automatically generates to say what accounts are still open. If a fund is closed that is out of balance, a report is automatically generated that says it is out of balance. Journal entries show totals at the end of each and tells if it is in balance or not.*

*Current Status: The logs are being reviewed and signed off on monthly.*

- e. Condition: Currently, passwords are not required to be changed on a regular basis.
- Recommendation: We recommend establishing a policy to require all users to change their password on a regular basis.

*Management's  
Response:*

*Recommendation to change passwords regularly will be considered.*

*Current Status: Memos are sent out periodically for employees to change their passwords. However, the system does not force such changes. This condition still exists.*

3. Accounting functions

- Condition: Currently, one sided journal entries can be posted to the general ledger.
- Recommendation: The software should be programmed so that such one sided entries are prohibited.

*Management's  
Response:*

*The access to posting anything has now been severely limited. Currently the Business Manager is the only person who can post. Ms. Richardson can only post the Head Start Program. Before posting, the Bus. Mgr. prints out the j.e. 's to be posted to make sure they are balanced before posting.*

*Current Status: One sided entries are no longer being used. Although the system still allows such entries to be made, the security clearance to make journal entries has been restricted to the business manager. That individual ensures that all entries are balanced prior to posting.*

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS**

**F. Payroll**

**1. Separation of duties**

**Condition:** The same individual performs the duties of distributing paychecks, setting up and deleting employees into\from the payroll system and reconciling the payroll account. This structure does not allow for a proper check and balance and could potentially lead to paychecks being generated for non-existent employees.

**Recommendation:** Structure the computer system security so that the human resources department makes the initial set-up of employees into the payroll system.

**Management's Response:** *The separation of duties will be addressed.*

**Current Status:** *Although the ability to separate is limited due to the small office environment, procedures have been implemented to introduce checks and balances in the payroll check distribution process that could detect any such non-employees.*

**2. Direct Deposit**

**Condition:** The process for direct-depositing employee checks involves the payroll clerk physically taking paycheck batches to the various banks and transacting a deposit. This process raises several concerns:

- A. The time requirements of such a process by the payroll clerk.
- B. Physical access to checks and the ability to deposit these checks, combined with the lack of segregation of duties (see prior comment) could potentially present an avenue for payroll fraud.

**Recommendation:** We recommend that the process for direct deposit be automated. The deposit to the employee bank accounts should be accomplished through a single transaction with the bank, via wire or check, representing the deposit for all employees banking at that institution. Computer processes should be updated to allow for such a process.

**Management's Response:** *We are considering utilizing the ACH transfer process as our means for direct deposit.*

**Current Status:** *The Business Manager now brings the paycheck batches to the bank. Although a different individual is performing this duty, the condition still exists. The School Board plans to implement a true direct deposit process through ACH transfers.*

**FRANKLIN PARISH SCHOOL BOARD**  
**SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS**

**G. Dormant Accounting Funds**

**Condition:** Several dormant funds remain open despite the lack of activity for several years. Such open funds can provide a vehicle for inaccurate financial reporting and even fraud.

**Recommendation:** We recommend that all inactive funds be closed and deactivated in the accounting system to prevent transaction posting to those funds.

***Management's***

***Response:*** *We are in the process of updating all dormant accounts. Funds that are old and have not been used will be researched for any activity. These are in the process of being looked at. These funds must be cleaned up and dormant for two years before they can be used again. Current auditors will be contacted before any journal entries are made to clean up these accounts. This, once again is slowed due to lack of staffing.*

***Current Status:*** *The dormant funds have been closed out.*

**H. Capital Asset Records**

**Condition:** The School System's capital asset records appear to be lacking certain assets. We noticed that certain automobiles, busses, and instructional software are excluded. Such items would be in excess of the school system's capitalization threshold and thus should be included.

**Recommendation:** The accounting staff should include all such items on the capital asset records. An inventory should be conducted of all software owned by the School System.

***Management's***

***Response:*** *Staffing for this job has been sporadic. Currently someone has again been assigned to this task. Efforts will be made to continue to enter fixed assets as they are purchased, moved or recorded as found lacking.*

***Current Status:*** *The Capital Asset records have improved, but are still a work in progress. A position of property control clerk has been created.*